

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

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

DOCKET NO. R-2021-3023618

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STATEMENT OF REASONS

UGI UTILITIES, INC. – ELECTRIC DIVISION
2021 Base Rate Case
Docket No. R-2021-3023618

STATEMENT OF REASONS

I. INTRODUCTION

UGI Utilities, Inc. – Electric Division (“UGI Electric” or “the Company”) is filing Proposed Supplement No. 26 to UGI Electric Tariff Pa. P.U.C. No. 6 and Proposed Supplement No. 2 to UGI Electric Tariff Pa. P.U.C. No. 2S, with a proposed effective date of April 9, 2021. The proposed rates will not become effective, however, until November 9, 2021, assuming that the Pennsylvania Public Utility Commission (“PUC” or the “Commission”) suspends the effective date for a period of seven months pursuant to its standard practice. The rates set forth therein, if approved by the Commission, would increase UGI Electric’s annual jurisdictional distribution operating revenues by \$8.7 million based on a fully projected future test year ending September 30, 2022, and would produce an increase in total revenues (distribution and generation charges) of approximately 10.0%.

The following rate impact analysis applies to UGI Electric’s customers. It assumes that the Company’s proposals for full rate relief is accepted.

Table 1. Average Monthly Bill Impact

		<u>Average Electric Customer Bill Impact</u>			
		<u>Total Monthly Bill Impact</u>			
	<u>Average Usage</u>	<u>Current</u>	<u>Proposed</u>	<u>Increase (Decrease)</u>	<u>Total</u>
Residential	1,000 kWh	\$110.18	\$123.83	\$13.65	12.4%
Small Commercial	1,000 kWh	\$120.40	\$135.62	\$15.22	12.6%
Industrial	50,000 kWh	\$3,931.30	\$3,897.36	(\$33.94)	(0.9%)

Even with the proposed rate increase, UGI Electric’s residential distribution rates will still be among the lowest in the Commonwealth.

The principal reason for UGI Electric’s request for rate relief is that current rates do not provide a reasonable opportunity for the Company to earn a fair rate of return on its investment made to serve the public. As noted previously, the Company’s residential distribution rates are among the lowest in Pennsylvania. UGI Electric also has taken reasonable efforts since its last base rate case to control its expenses. In addition, with the ongoing COVID-19 Pandemic, UGI Electric has implemented several measures to assist customers impacted by the economic effects of the COVID-19 Pandemic, such as making changes to its Customer Assistance Program (“CAP”) and Low Income Usage Reduction Plan (“LIURP”), waiving late payment charges, and expanding eligibility under its Operation Share grant program. The Company also has proposed an Emergency Relief Program (“ERP”) that will further address the COVID-19 Pandemic’s impact on customers. This ERP is modeled after the Commission-approved ERP implemented by UGI Utilities, Inc. – Gas Division (“UGI Gas”).

Without the requested rate relief, however, the Company’s returns on investment will continue to decline and jeopardize the Company’s ability to attract the capital needed to make the system investments necessary to support and ensure continued system reliability, safety, and customer service performance. As part of this filing, the Company is proposing certain modifications to its tariff to improve the provision of service to its customers, including: (1) changes to the Company’s High Tension Power Service Rate (“Rate HTP”) to accommodate and facilitate any future development related to very large power customers by providing a negotiated rate class; (2) a new Rate EV-C (Electric Vehicle – Company Owned Charging) and changes to the Company’s service extension provisions to support the adoption of electric vehicles (“EVs”)

within the Company's service territory; and (3) a battery storage investment to add resiliency to the Company's distribution system.

Each of these subjects is discussed in more detail in Section II. Section III addresses UGI Electric's management effectiveness and describes its various efforts to control increasing costs and improve service to customers. While the Company's management effectiveness warrants an increase in the cost of common equity, the Company has foregone such a claim in this proceeding. Section IV provides a more detailed overview of the major components of this rate filing.

II. REASONS FOR THE REQUESTED RATE INCREASE

UGI Electric last received a general rate increase in 2018. Since the test year in UGI Electric's last rate case, UGI Electric will have invested approximately \$51 million in the delivery system to ensure a well-maintained and reliable system able to meet the current and future expectations of our customers. UGI Electric intends to invest significant additional capital in the distribution system through 2022 under its Commission-approved Long-Term Infrastructure Improvement Plan ("LTIIIP"). Through its LTIIIP programs, UGI Electric has accelerated and will continue to accelerate investments in the repair, replacement, and improvement of aged and aging distribution infrastructure by over 100% compared to historic baseline levels immediately prior to the LTIIIP. Together, UGI Electric's focus on upgrading and modernizing the distribution system, technologies, and facilities supports the Company's efforts to continue providing safe and reliable distribution service and high-quality customer service.

Additionally, UGI Electric made reasonable efforts to help control expenses and increase efficiencies to delay the need for a base rate increase and to reduce the proposed revenue requirement otherwise required. For example, UGI-1 is a Company-wide improvement initiative focusing on people, tools, and processes that continues UGI Electric's history of pursuing excellent performance for its customers, employees, and shareholders. As part of UGI-1, UGI

Electric has undertaken the UGI Next Information Technology Enterprise (“UNITE”) system modernization initiative, which is a multi-phased transformational program that was launched to identify and address business and technology opportunities for improvement. These efforts have helped optimize, modernize, and consolidate the Company’s services and Information Technology (“IT”) systems. The Company has completed multiple phases of UNITE to date and is presently engaged in a current state analysis process harmonization to evaluate where synergies can be realized with respect to technology and personnel. This current state analysis is a key element of the Company’s Enterprise Asset Management (“EAM”) project, which will be a central repository for housing, analyzing, and accessing UGI assets and management of full asset lifecycle information. The benefits derived from the EAM implementation will include, among others, improved data quality; better facility tracking and traceability; tools for ensuring ongoing regulatory compliance; standard dispatching and mobility solutions for fieldwork; enhanced work management capabilities; mapping upgrades and automated facility as-builts; and improved risk management capabilities for guiding future betterment decisions. UNITE’s past investments in the Customer Information System (“CIS”), has already significantly increased the adoption of electronic payments and customer usage of the self-service internet portal, which are tied to improved customer satisfaction.

Since its last base rate case, UGI Electric also has adopted modest annual wage and salary adjustments in order to maintain and promote a highly qualified work force and will continue to do so, where reasonable. UGI Electric has also experienced other general price increases for necessary products and services. The growth in operating and capital costs, along with relatively stagnant customer usage and growth trends, do not allow for UGI Electric to earn a fair rate of return on its investments at present rate levels.

As reflected in UGI Electric Exhibit A (Fully Projected), Schedule A-1, the Company's operations are projected to produce an overall return on rate base of 3.24%, which equates to a return on common equity of only 2.28% for the twelve months ending September 30, 2022. As explained by UGI Electric witness Paul R. Moul (UGI Electric Statement No. 5), those returns are not adequate based on applicable financial data and the risks confronted by UGI Electric. Unless UGI Electric receives the requested rate relief, those returns will continue to decline and jeopardize the Company's ability to attract the capital needed to make the system investments necessary to support and ensure continued system reliability, safety, and customer service performance.

Through this filing, UGI Electric also proposes to update the terms and conditions of its tariff. Specifically, UGI Electric proposes changes to its Rate HTP to restructure the rate schedule into one that may accommodate future customers under negotiated rates. As UGI Electric currently served no customers under Rate HTP, the proposed updates eliminate the prescriptive, but not cost of service-based, Rate HTP rate table and riders, and has proposed a negotiated rate structure that will readily accommodate future customers. These changes will permit the Company to provide large potential customers options in lieu of competitive alternatives such as connecting to interstate transmission. Additionally, UGI Electric is proposing a new EV program that is designed to support and promote the expanded growth of electric vehicles within the Company's service territory by proposing Rate EV-C which will provide for rates applicable to three proposed Company-owned EV charging stations. Additionally, changes to the Company's tariff service extension provisions will allow for make-ready infrastructure for the development of third-party owned EV charging stations. These tariff changes will further promote the development of EV charging station infrastructure needed to serve the growing number of EV owners in the Commonwealth. All of the Company's proposed tariff changes are

necessary to update and modernize the Company's rate schedules, riders, and terms and conditions of service.

The Company also is proposing an investment in battery storage technology to increase the reliability of a portion of its distribution system that is vulnerable to storm-related reliability impacts.

III. MANAGEMENT EFFECTIVENESS

UGI Electric has focused on a number of areas to enhance and improve the quality and effectiveness of UGI Electric's management performance and/or to reduce expenses. These management efforts include:

- The UGI Electric Emergency Relief Program – As discussed above, UGI Electric has filed for approval to implement a very similar ERP to that of UGI Gas to assist customers impacted by the COVID-19 Pandemic and expand access to universal services.
- High standards for electric reliability – UGI Electric has historically performed above the Commission-established Benchmark levels for maintaining service reliability. While extensive storm-related outages affected these metrics in 2018 and 2019, 2020 has seen a return to historically high indicators of reliability for UGI Electric. For rolling 12 months ending third quarter calendar year 2020, UGI Electric achieved Customer Average Interruption Duration Index (“CAIDI”), System Average Interruption Frequency Index (“SAIFI”), and System Average Interruption Duration Index (“SAIDI”) index levels that were 2%, 42%, and 42% better than Benchmark levels, respectively. Preliminary 4th quarter 2020 data for UGI Electric demonstrates a continued positive improvement over 2019 metrics.

- Meeting long-term infrastructure improvement targets – On November 25, 2020, UGI Electric filed an Annual Asset Optimization Plan documenting the progress of its voluntary LTIP. As described in the testimony of Mr. Sorber, despite the operational challenges of the COVID-19 Pandemic, the Company, in many respects, has met or exceeded its LTIP goals in the first three years of its five-year LTIP.
- An Energy Efficiency and Conservation Plan – Though UGI Electric is exempt from the larger EDCs’ requirement to have an energy efficiency and conservation plan (“EE&C Plan”) under Act 129, the Company has voluntarily operated an EE&C Plan since 2012. UGI Electric’s EE&C Plan provides education and incentives to UGI Electric customers to encourage the efficient use of electricity and incents smart appliance purchase decisions. On March 14, 2019, the Commission entered an Order approving the Company’s five-year Phase III EE&C Plan, which began on June 1, 2019. In UGI Electric’s most recent EE&C program year, June 1, 2019 – May 31, 2020, the UGI Electric EE&C Plan issued \$764,661 in rebates to residential and commercial customers and achieved savings of 10,669,000 kWh, resulting in 7,543 metric tons of CO₂ avoided.¹
- Enhanced customer-service offerings and continued IT system replacements – The Company’s investments in IT through the UNITE initiative have promoted customer self-service through the Company’s web portal, increased electronic payments, and improved the customer experience. UNITE has also improved the Company’s accounting processes and is poised to do the same with the Company’s asset management systems.

¹ This figure was derived from the EPA Greenhouse Gas Equivalencies calculator <https://www.epa.gov/energy/greenhouse-gas-equivalencies-calculator>

- Electric vehicle support –UGI Electric is proposing several elements of an EV program in this filing to support and promote the expanded growth of EVs within the Company’s service territory through the targeted development and encouragement of EV charging initiatives within the Company’s tariff, which directly and indirectly support EV charging infrastructure build-out.
- A safety focus – Safety is a fundamental imperative at UGI Electric. The Company continues to implement safety improvements working towards meeting the elevated standards of Occupational Safety and Health Administration’s (“OSHA”) Voluntary Protection Program compliance. The Company is expanding its successful UGI Making a Difference Safety Incentive Program. This year will also see the production of a 5-year Safety Management Plan as part of the Company’s Safety Culture Transformation Program.
- Low rates – UGI Electric’s residential rates are second-lowest in the Commonwealth. These low rates have provided significant value for UGI Electric’s customers for years. Even with the full amount of the proposed rate increase, UGI Electric’s residential distribution rates will still be among the lowest.
- Community support – UGI Electric supports a variety of projects that benefit communities throughout this service territory, such as American Red Cross blood drives, the Commission on Economic Opportunity Thanksgiving food drive, the Luzerne County Head Start Angel Tree Christmas gift for children project, and the United Way of Wyoming Valley Christmas in July Food Drive, book drive, and Day of Caring events. UGI invests more than \$1.5 million annually to support education improvement programs, including \$250,000 in the overlapping UGI Electric and UGI Gas service territories. These programs support pre-K, childhood literacy and

enhanced “STEM” (science, technology, engineering, and math) curriculum in elementary schools, fund technical training programs for high school students, and provide support and mentoring for women and minority engineering school students.

The above-described initiatives, as well as those described by the Company’s witnesses, demonstrate UGI Electric’s commitment to, and focus on, providing and improving its provision of safe, reliable, and quality distribution services to its customers. The Company believes that the management efforts described above and the other improvements described by the UGI Electric witnesses in this proceeding, as well as the Company’s provision of safe and reliable service at reasonable rates, would support an additional upward adjustment to the Company’s rate of return in recognition of its management effectiveness. However, the Company has foregone seeking an additional 0.20% in cost of equity, equal to an upfront reduction in request increase of approximately \$200,000, in recognition of the impact that the COVID-19 Pandemic has had on certain portions of UGI Electric’s customer base. Thus, the recognition of UGI Electric’s management effectiveness is not included in the 10.75% equity return requested by the Company and discussed in the direct testimony of Paul R. Moul (UGI Electric Statement No. 5).

IV. OVERVIEW OF FILING

Included with UGI Electric’s filing are all of the supporting data required by the Commission’s regulations. This information provides data for an historic year ended September 30, 2020, a future test year ending September 30, 2021, and the fully projected future test year ending September 30, 2022. Because of the adverse impact of regulatory lag when rates are established using a historic test year, the Company has elected to use the fully projected future test year as the basis for its proposed revenue requirement.

UGI Electric has followed Commission ratemaking practice and precedent in preparing its claims for rate base, operating revenues, and operating expenses. Rate base was determined

based on depreciated original cost values for projected plant in service at the end of the fully projected future test year, inclusive of the Company's LTIIP accelerated replacement capital, UNITE investments, and other used and useful infrastructure to support growth and service reliability. The Company's rate base claim also includes reasonable estimates for materials and supplies inventory and cash working capital, as well as standard deductions for accumulated depreciation, accumulated deferred income taxes, and customer deposits. The Company's rate base claims are shown in summary form in Schedule C-1 to Exhibit A-1 (Fully Projected) and are supported by the direct testimony of Vivian K. Ressler (UGI Electric Statement No. 4).

UGI Electric's *pro forma* test year operating expenses were derived from its fiscal year 2022 operating budget. Based on the analysis of Company witness Stephen F. Anzaldo (UGI Electric Statement No. 2), certain operating expenses were annualized, normalized, and otherwise adjusted in accordance with standard ratemaking practice, as detailed in Section D of Exhibit A (Fully Projected). UGI Electric's claim for depreciation and amortization expense is supported by Exhibit C (Fully Projected) to the filing, and exhibits developed and supported by John F. Wiedmayer of Gannett Fleming Valuation and Rate Consultants, LLC (UGI Electric Statement No. 7). Mr. Wiedmayer's calculations are based on the straight-line, remaining life method previously approved for UGI Electric's operations by the Commission. Company witnesses Christopher R. Brown (UGI Electric Statement No. 1) and Eric W. Sorber (UGI Electric Statement No. 3) also discuss the Company's efforts to contain costs and obtain efficiencies.

UGI Electric's income tax expense also was calculated using procedures previously accepted by the Commission. The Company's filing reflects, for federal income tax purposes, the normalization of book-tax timing differences related to UGI Electric's use of accelerated depreciation for tax purposes. Other appropriate book-tax timing differences were flowed-through

for ratemaking purposes. The Company's tax claims are supported in the direct testimony of Nicole M. McKinney (UGI Electric Statement No. 9).

Through this filing, UGI Electric is proposing to allocate the proposed revenue requirement to all customer classes based on the results of a class cost of service study. The proposed revenue allocation moves each rate class closer to the system average rate of return. Additional details regarding the Company's costs of service study and revenue allocation are provided in the direct testimony of UGI Electric witness John D. Taylor of Atrium Economics, LLC (UGI Electric Statement No. 6).

With respect to rate design, UGI Electric is proposing to increase the customer charge for Rate R and Rate GS-1. Otherwise, the rates and rate design for the Company's customers will essentially remain the same. As previously discussed, the Company is also proposing changes to Rate HTP and proposing a new Rate EV-C for electric vehicle charging stations. Company witness Taylor sponsors the tariff changes related to the EV Program; otherwise, UGI Electric witness Sherry A. Epler (UGI Electric Statement No. 8) provides a summary of the proposed changes to the tariff rules, regulations, and rate schedules included in UGI Electric's Tariff No. 6, Supplement 26, and changes to the Choice Supplier Tariff, which is incorporated into UGI Electric's Tariff No. 2S, Supplement No. 2.

V. CONCLUSION

As set forth in UGI Electric's filing, the proposed revenue increase is the minimum increase necessary for UGI Electric to continue providing safe and reliable service, to maintain the integrity of its existing capital, to attract additional capital at reasonable rates, and to have a reasonable opportunity to earn a fair rate of return on its property used and useful in rendering electric service to the public within its service territory. Moreover, the Company's proposed revenue allocation and rate design and proposed tariff changes are just and reasonable and non-

discriminatory. Therefore, the rates, rules, and terms and conditions of service set forth in UGI Electric's Proposed Supplements to Tariff Nos. 6 and 2S should be permitted to become effective as filed.

PLAIN LANGUAGE - STATEMENT OF REASONS

UGI UTILITIES, INC. – ELECTRIC DIVISION
2021 Base Rate Case
Docket No. R-2021-3023618

PLAIN LANGUAGE
STATEMENT OF REASONS

UGI Utilities, Inc. – Electric Division (“UGI Electric”) has asked the Pennsylvania Public Utility Commission (“Commission”) to approve new rates that would increase annual revenues for its electric distribution service by \$8.7 million, or an increase in total revenues of approximately 10.0%. This proposal is the first such increase for UGI Electric since 2018.

The main reasons for the rate increase are:

- UGI Electric continues to invest in electric plant needed to provide continued safe and reliable service. From 2020 through 2022, UGI Electric will have invested approximately \$51 million in repair, replacement, and modernization of its aging infrastructure as well as other improvements. These investments are needed to ensure a well-maintained and reliable system able to meet the current and future expectations of UGI Electric’s customers.
- Despite reasonable efforts to help control expenses and increase efficiencies, UGI Electric’s costs continue to increase in several areas, including salaries and wages for field and administrative employees and the cost of products and services.
- Without substantial rate relief, UGI Electric will not be able to earn a fair return on its investment used to serve the public and, if not addressed, this could adversely affect the integrity of its financial ratings and its ability to attract capital needed to make the system investments necessary to support and ensure continued system reliability, safety, and customer service performance.

UGI Electric designed the proposed rates for each customer class to recover its total required revenue. In allocating the revenue increase, UGI Electric was guided by detailed studies of each rate class’s cost of service. UGI Electric also considered and balanced other principles of rate design consistent with practice before the Commission.

Along with its rate increase, UGI Electric has filed all of the supporting data required by the Commission’s regulations, as well as the written statements of nine witnesses and numerous exhibits prepared by those witnesses. The data, testimony, and exhibits submitted by UGI Electric

comply with the Commission's filing requirements. The proposed distribution revenue increase is the minimum increase necessary for UGI Electric to earn a fair rate of return on used and useful property employed to provide safe and reliable service to the public within its service territory.

SECTION 53.52 - FILING REQUIREMENTS

UGI UTILITIES, INC. – ELECTRIC DIVISION

Changes to UGI Utilities, Inc. – Electric Division

Proposed Supplement No. 26 to UGI Electric Pa. P.U.C. No. 6 and

Proposed Supplement No. 2 to UGI Electric Pa. P.U.C. No. 2S

Information furnished with the filing of rate changes under 52 Pa.
Code, Section 53.52

(a) Applicable to changes in terms and conditions of service.

(a)(1) The specific reason for each change.

The Company has provided a Statement of Reasons describing the necessity for this filing. In addition, please see the Direct Testimony of Christopher R. Brown, UGI Electric Statement No. 1.

(a)(2) The total number of customers served by the utility.

63,072 customers as of September 30, 2022.

(a)(3) A calculation of the number of customers, by tariff subdivision, whose bills will be affected by the change.

<u>Tariff Rate</u>	<u>Customers</u>
R	55,036
BLR	2
GS-1	5,505
GS-4	2,267
GS-5	58
FCP	7
LP	197
Lighting	9,112 (fixtures)

(a)(4) The effect of the change on the utility's customers.

The specific effect by class is shown in UGI Electric Exhibit E – Proof of Revenue.

- (a)(5) The effect, whether direct or indirect, of the proposed change on the utility's revenue and expenses.**

The Company's proposal will change revenue and expenses, as shown on UGI Electric Exhibit A (Fully Projected), Schedule A-1. Individual adjustments to revenues and expenses are described in testimony and exhibits supporting the filing.

- (a)(6) The effect of the change on the service rendered by the utility.**

The filing will allow the Company to continue to provide safe and reliable service to its customers while maintaining high levels of customer satisfaction.

- (a)(7) A list of factors considered by the utility in its determination to make the change. The list shall include a comprehensive statement as to why these factors were chosen and the relative importance of each. This subsection does not apply to a portion of the tariff change seeking a general rate increase as defined in 66 Pa.C.S. Section 1308 (relating to voluntary changes in rates).**

Not applicable.

- (a)(8) Studies undertaken by the utility in order to draft its proposed change. This paragraph does not apply to a portion of the tariff change seeking a general rate increase as defined in 66 Pa. C.S. Section 1308.**

Not applicable.

- (a)(9) Customer polls taken and other documents, which indicate customer acceptance and desire for the proposed change.**

No customer polls were taken or other documents developed to evaluate customer acceptance of any of the changes proposed in this filing.

- (a)(10) Plans the utility has for introducing or implementing the change with respect to its customers.**

The Company will notify customers of the proposed changes by direct mailing a printed notice to all customers serviced using the form of notices specified by the Commission at 52 Pa. Code 53.45. In addition, the Company will issue a press release and paid advertisements on the date of filing as well as posting notices at the Company's headquarters offices.

(a)(11) F.C.C. or FERC or Commission orders or rulings applicable to the filings.

The Company has experienced both increased uncollectible accounts expenses and increased costs in certain areas due to COVID-19. The Company's filing includes related claims in accordance with the Commission's May 13, 2020 Secretarial Letter regarding COVID-19 Cost Tracking and Creation of Regulatory Asset at Docket No. M-2020-3019775.

The Company's recovery of certain extraordinary, nonrecurring incremental COVID-19 costs as part of this proceeding is discussed in the Direct Testimony of Vivian K. Ressler (UGI Electric Statement No. 4).

(b) Applicable to changes in rates.

(b)(1) Specific reason for each change.

The Company has provided a Statement of Reasons describing the necessity of this filing. In addition, please see the Direct Testimony of Christopher R. Brown, UGI Electric Statement No. 1, John D. Taylor, UGI Electric Statement No. 6, and Sherry A. Epler, UGI Electric Statement No. 8.

(b)(2) Utility's operating income statement ending not more than 120 days prior to filing date – historic year.

Refer to Schedule B-2, UGI Electric Exhibit A (Historic), UGI Electric Exhibit A (Future), and UGI Electric Exhibit A (Fully Projected). On January 6, 2021, the Company filed for a waiver of 52 Pa. Code § 53.52(b)(2) concerning the time period between the end of an historic test year and the date on which a proposed increase in base rates is filed. On January 14, 2021 the Commission granted the Company's request to file data in support of a proposed increase in base rates based upon an historic test year ended September 30, 2020 on or before February 28, 2021.

(b)(3) Number of customers, by tariff subdivision, whose bills will be increased.

<u>Tariff Rate</u>	<u>Customers</u>
R	55,036
BLR	2
GS-1	5,505
GS-4	2,267
GS-5	58
Lighting *	4,663 (fixtures)

* Partial

(b)(4) Total increases, in dollars, by tariff subdivision, projected to an annual basis.

Please refer to UGI Electric Exhibit E – Proof of Revenue.

(b)(5) Number of customers, by tariff subdivision, whose bills will be decreased.

<u>Tariff Rate</u>	<u>Customers</u>
FCP	7
(LP	197
Lighting *	4,449 (fixtures)

* Partial

(b)(6) Total decreases, in dollars, by tariff subdivision, projected to an annual basis.

Please refer to UGI Electric Exhibit E – Proof of Revenue.

(c) Applicable to changes where increase for any tariff subdivision exceeds 3% of utility's operating revenue OR bills of more than 5% of customers will increase.

(c)(1) Rate of return for historic year and anticipated for future year.

Refer to UGI Electric Exhibit A (Historic), Schedule A-1, UGI Electric Exhibit A (Future), Schedule A-1, and UGI Electric Exhibit A (Fully Projected), Schedule A-1.

(c)(2) Detailed balance sheet at the end of the historic year.

For the end of the historic year balance sheet, refer to UGI Electric Exhibit A (Historic), Schedule B-1.

For the end of the future test year balance sheet, refer to UGI Electric Exhibit A (Future), Schedule B-1.

For the end of the fully projected future test year balance sheet, refer to UGI Electric Exhibit A (Fully Projected), Schedule B-1.

(c)(3) Summary, by detailed plant accounts, of book value of property of utility at end of historic year.

Refer to UGI Electric Exhibit A (Historic), Schedule C-2, for the original cost book value of the property of utility for the historic year.

Refer to UGI Electric Exhibit A (Future), Schedule C-2, for the original cost book value of the property of utility for the future test year.

Refer to UGI Electric Exhibit A (Fully Projected), Schedule C-2, for the original cost book value of the property of utility for the fully projected future test year.

(c)(4) Respective amount of the depreciation reserve applicable to each detailed plant account.

Refer to UGI Electric Exhibit A (Historic), Schedule C-3, for the historic year depreciation reserve as of year-end.

Refer to UGI Electric Exhibit A (Future), Schedule C-3, for the future test year depreciation reserve as of year-end.

Refer to UGI Electric Exhibit A (Fully Projected), Schedule C-3, for the fully projected future test year depreciation reserve as of year-end.

(c)(5) Statement of operating income, setting forth the operating revenues and expenses by detailed accounts – historic year.

Refer to UGI Electric Exhibit A (Historic), Schedule B-2, for the historic year operating revenue and expenses.

Refer to UGI Electric Exhibit A (Future), Schedule B-2, for the future test year operating revenue and expenses.

Refer to UGI Electric Exhibit A (Fully Projected), Schedule B-2, for the fully projected future test year operating revenue and expenses.

(c)(6) Description of any major changes in the operating or financial condition of the utility occurring between the date of the balance sheet at end of the historic year and filing date.

Not applicable.

I. GENERAL FILING INFORMATION

UGI Utilities, Inc. - Electric Division
Docket No. R-2021-3023618
UGI Electric 2021 Base Rate Case
Responses to Section 53.53 - I-A - Summary of Filing
Delivered on February 8, 2021

I-A-1

Request:

Provide a summary discussion of the rate change request, including specific reasons for each increase or decrease. Also provide a breakdown which identifies the revenue requirement value of the major items generating the requested rate change.

Response:

Please refer to UGI Electric Exhibit A (Historic), UGI Electric Exhibit A (Future), and UGI Electric Exhibit A (Fully Projected), Schedules A-1. Also, please see the Direct Testimony of Christopher R. Brown, UGI Electric Statement No. 1.

Prepared by or under the supervision of: Christopher R. Brown

UGI Utilities, Inc. - Electric Division
Docket No. R-2021-3023618
UGI Electric 2021 Base Rate Case
Responses to Section 53.53 - I-A - Summary of Filing
Delivered on February 8, 2021

I-A-2

Request:

Identify the proposed witnesses for all statements and schedules of revenues, expenses, taxes, property, valuation and the like.

Response:

Please see the Direct Testimony of Christopher R. Brown, UGI Electric Statement No. 1, for a complete list of witnesses and areas of responsibility. The primary witness for each statement and schedule is identified on the specific document.

Prepared by or under the supervision of: Christopher R. Brown

UGI Utilities, Inc. - Electric Division
Docket No. R-2021-3023618
UGI Electric 2021 Base Rate Case
Responses to Section 53.53 - I-A - Summary of Filing
Delivered on February 8, 2021

I-A-3

Request:

Provide a single page summary table showing, at present and at proposed rates, together with references to the filing information, the following as claimed for the fully adjusted test year:

Revenues
Operating Expenses
Operating Income
Rate Base
Rate of Return (produced)

Response:

Please see Attachment I-A.3.

Prepared by or under the supervision of: Stephen F. Anzaldo

UGI Utilities, Inc. - Electric Division
PUC Jurisdictional
Test Year Ended September 30, 2022
(Thousands of Dollars)

	AT PRESENT RATES		AT PROPOSED RATES	
	Amount	Exhibit A - Fully Projected Future Reference	Amount	Exhibit A - Fully Projected Future Reference
Revenue	\$ 87,065	Schedule A-1, Col. [3], line 12	\$ 95,774	Schedule A-1, Col. [5], line 12
Operating Expenses	\$ (82,737)	Schedule A-1, Col. [3], line 13	\$ (83,419)	Schedule A-1, Col. [5], line 13
Operating Income	\$ 4,272	Schedule A-1, Col. [3], line 17	\$ 9,980	Schedule A-1, Col. [5], line 17
Rate Base	\$ 131,831	Schedule A-1, Col. [3], line 8	\$ 131,831	Schedule A-1, Col. [5], line 8
Rate of Return	3.240%	Schedule A-1, Col. [3], line 18	7.570%	Schedule A-1, Col. [5], line 18

UGI Utilities, Inc. - Electric Division
Docket No. R-2021-3023618
UGI Electric 2021 Base Rate Case
Responses to Section 53.53 - I-A - Summary of Filing
Delivered on February 8, 2021

I-A-4

Request:

Whenever a major generating plant is placed in operating service or removed from operating service the utility shall separately indicate the effect of the plant addition or removal from service upon rate base, revenue, expense, tax, income and revenue requirement as it affects the test year.

Response:

As UGI Electric does not own any generation plants, this filing requirement is not applicable to this rate filing.

Prepared by or under the supervision of: Eric W. Sorber

UGI Utilities, Inc. - Electric Division
Docket No. R-2021-3023618
UGI Electric 2021 Base Rate Case
Responses to Section 53.53 - I-B - General Description of Utility Operations
Delivered on February 8, 2021

I-B-1

Request:

Provide a corporate history including the dates of original incorporation, subsequent mergers and acquisitions. Indicate all counties, cities and other governmental subdivisions to which service is provided, including service areas outside this Commonwealth, and the total number of customers or billed units in the areas served.

Response:

UGI Utilities, Inc. (“UGI”) was organized in 1882 under the name “The United Gas Improvement Company” and changed its name to “UGI Corporation” in 1968. In 1992, UGI adopted its current name when it became, as it remains today, a wholly-owned subsidiary of a newly-formed holding company that adopted the name UGI Corporation.

UGI’s electric and gas operations are separated into two operating divisions. UGI’s gas operations (“UGI Gas”) are headquartered in Denver, Pennsylvania; while UGI’s electric operations (“UGI Electric”) are headquartered in Wilkes-Barre, Pennsylvania.

UGI Electric can trace its origins to the 1925 acquisition by UGI of the American Gas Co., which owned the Luzerne County Gas and Electric corporation. In 1953, as authorized by a Certificate of Public Convenience issued by the Commission on June 16, 1952, at Docket No. A.78264, all of UGI’s Pennsylvania public utility subsidiaries, including the Luzerne County Gas and Electric Company, were merged into UGI.

In 1967, UGI acquired the Harvey’s Lake Light Company, whose 113 square mile service territory, along with the electric service territory of the former Luzerne County Gas and Electric Corporation, comprise the current service territory of UGI Electric. That service territory is identified in the list of communities served in UGI Electric's tariff. See UGI Electric Exhibit F. UGI Electric currently provides electric distribution service to approximately 60,000 residential, commercial and industrial electric customers in Luzerne and Wyoming Counties and 35 municipalities.

UGI Utilities, Inc. - Electric Division
Docket No. R-2021-3023618
UGI Electric 2021 Base Rate Case
Responses to Section 53.53 - I-B - General Description of Utility Operations
Delivered on February 8, 2021

I-B-2

Request:

Provide a description of the property of the utility and an explanation of the system's operation, and supply the following, using available projections if actual data is unavailable:

- a. A schedule of generating capability showing for the test year, and for the two consecutive 12-month periods prior to the test year, net dependable capacity in KW by unit, plant capacity factor by unit, and total fuel consumption by type and cost for each unit, if available, or for each station, and operation and maintenance expenses by station.
- b. A schedule showing for the test year and for the 12-month period immediately prior to the test year the scheduled and unscheduled outages—in excess of 48 hours—for each station, the equipment or unit involved, the date the outage occurred, duration of the outage, maintenance expenses incurred for each outage, if available, and amounts reimbursable from suppliers or insurance companies.
- c. A schedule for each unit retired during the test year or subsequent to the end of the test year, which shows the unit's KW capacity, hours of operation during the test year, net output generated, cents/KWH of maintenance and fuel expenses, and date of retirement.
- d. A schedule showing latest projections of capacity additions and retirements—costs and KW— and reserve capacity at the time of peak for at least 10 years beyond the test year, including the inservice dates—actual or expected—and AFDC cutoff dates—if different from inservice dates— for all new generating units coming on line during or subsequent to the test year, if claimed.

Response:

As UGI Electric does not own any generation plants, this filing requirement is not applicable to this rate filing.

UGI Utilities, Inc. - Electric Division
Docket No. R-2021-3023618
UGI Electric 2021 Base Rate Case
Responses to Section 53.53 - I-B - General Description of Utility Operations
Delivered on February 8, 2021

I-B-3

Request:

Provide an overall system map, including and labeling all generating plants, transmission substations—indicate voltage, transmission system lines—indicate voltage, and all interconnection points with other electric utilities, power pools, and other like systems.

Response:

UGI Electric's overall system map includes Critical Energy Infrastructure Information and is, therefore, not included herein.

Prepared by or under the supervision of: Eric W. Sorber

**II. PRIMARY STATEMENT OF RATE BASE
& OPERATING INCOME**

UGI Utilities, Inc. - Electric Division
Docket No. R-2021-3023618
UGI Electric 2021 Base Rate Case
Responses to Section 53.53 - II-A - Rate Base - Unadjusted to Adjusted Basis
Delivered on February 8, 2021

II-A-1

Request:

Provide a schedule showing the test year rate base and rates of return at original cost less accrued depreciation under present rates and under proposed rates. Claims made on this schedule should be cross-referenced to appropriate supporting schedules.

Response:

Please refer to UGI Electric Exhibit A (Historic), UGI Electric Exhibit A (Future), and UGI Electric Exhibit A (Fully Projected), Schedules A-1.

Prepared by or under the supervision of: Stephen F. Anzaldo

UGI Utilities, Inc. - Electric Division
Docket No. R-2021-3023618
UGI Electric 2021 Base Rate Case
Responses to Section 53.53 - II-A - Rate Base - Unadjusted to Adjusted Basis
Delivered on February 8, 2021

II-A-2

Request:

If the schedule provided in response to item 1, is based upon a future test year, provide a similar schedule which is based upon actual data for the 12-month period immediately prior to the test year.

Response:

Please refer to UGI Electric Exhibit A (Historic), Schedule A-1.

Prepared by or under the supervision of: Stephen F. Anzaldo

UGI Utilities, Inc. - Electric Division
Docket No. R-2021-3023618
UGI Electric 2021 Base Rate Case
Responses to Section 53.53 - II-A - Rate Base - Unadjusted to Adjusted Basis
Delivered on February 8, 2021

II-A-3

Request:

When a utility files a tariff stating a new rate based in whole or in part on the cost of construction, as defined in 66 Pa.C.S. § 1308(f) (relating to voluntary changes in rates), of an electric generating unit, the utility shall identify:

- a. The total cost of the generating unit.
- b. The following costs:
 1. The cost and quantity of each category of major equipment, such as switchgear, pumps or diesel generators and the like.
 2. The cost and quantity of each category of bulk materials, such as concrete, cable and structural steel and the like.
 3. Manual labor.
 4. Direct and indirect costs of architect/engineering services.
 5. Direct and indirect costs of subcontracts or other contracts involving major components or systems such as turbines, generators, nuclear steam supply systems, major structures and the like.
 6. Distributed costs.
- c. A cost increase of \$5 million or more, including AFUDC, over the original utility estimates provided under 66 Pa.C.S. § 515(a) (relating to construction cost of electric generating units) and its causes.
- d. Compliance with subsections (a) and (b) will be identical in format and substance as that provided under 52 Pa. Code § 57.103 (relating to estimate of construction costs) for original cost estimates submitted under 66 Pa.C.S. § 515(a).

UGI Utilities, Inc. - Electric Division
Docket No. R-2021-3023618
UGI Electric 2021 Base Rate Case
Responses to Section 53.53 - II-A - Rate Base - Unadjusted to Adjusted Basis
Delivered on February 8, 2021

II-A-3 (Continued)

Response:

As UGI Electric does not own any generation plants, this filing requirement is not applicable to this rate filing.

Prepared by or under the supervision of: Eric W. Sorber

UGI Utilities, Inc. - Electric Division
Docket No. R-2021-3023618
UGI Electric 2021 Base Rate Case
Responses to Section 53.53 - II-B - Rate Base Supporting Schedules
Delivered on February 8, 2021

II-B-1

Request:

If a claim is made for plant held for future use, supply the following:

- a. A description of the plant or land site and its cost and any accumulated depreciation.
- b. The expected date of use for each item claimed.
- c. An explanation as to why it is necessary to acquire each item in advance of its date of use.
- d. The date when each item was acquired.
- e. The date when each item was placed in plant held for future use.

Response:

No claim is being made for plant held for future use.

Prepared by or under the supervision of: Vivian K. Ressler

UGI Utilities, Inc. - Electric Division
Docket No. R-2021-3023618
UGI Electric 2021 Base Rate Case
Responses to Section 53.53 - II-B - Rate Base Supporting Schedules
Delivered on February 8, 2021

II-B-2

Request:

If a claim is made for construction work in progress, provide a supporting schedule which sets forth separately, revenue-producing and nonrevenue producing amounts, and include, for each category a summary of all work orders, amounts expended at the end of the test year and anticipated inservice dates. Indicate if the construction work in progress will result in insurance recoveries, reimbursements, or retirements of existing facilities. Describe in exact detail the necessity of each project claimed if not detailed on the summary page from the work order. Include final completion dates and estimated total amounts to be spent on each project.

Response:

No claim is being made for construction work in progress.

Prepared by or under the supervision of: Vivian K. Ressler

UGI Utilities, Inc. - Electric Division
Docket No. R-2021-3023618
UGI Electric 2021 Base Rate Case
Responses to Section 53.53 - II-B - Rate Base Supporting Schedules
Delivered on February 8, 2021

II-B-3

Request:

If a claim is made for materials and supplies or fuel inventory provide a supporting schedule for each claim showing the latest actual 13 monthly balances and showing in the case of fuel inventory claims, the type of fuel, and location, as in station, and the quantity and price claimed.

Response:

Please refer to UGI Electric Exhibit A (Historic), UGI Electric Exhibit A (Future), UGI Electric Exhibit A (Fully Projected), Schedule C-8. There is no claim being made for fuel inventory.

Prepared by or under the supervision of: Vivian K. Ressler

UGI Utilities, Inc. - Electric Division
Docket No. R-2021-3023618
UGI Electric 2021 Base Rate Case
Responses to Section 53.53 - II-B - Rate Base Supporting Schedules
Delivered on February 8, 2021

II-B-4

Request:

If a claim is made for cash working capital provide a supporting schedule setting forth the method and all detailed data utilized to determine the cash working capital requirement. If not provided in the support data provide a lead-lag study of working capital, completed no more than 6 months prior to the rate increase filing.

Response:

Please refer to UGI Electric Exhibit A (Historic), UGI Electric Exhibit A (Future), UGI Electric Exhibit A (Fully Projected), Schedule C-4 for the working capital lead-lag study and the Direct Testimony of Vivian K. Ressler, UGI Electric Statement No. 4.

Prepared by or under the supervision of: Vivian K. Ressler

UGI Utilities, Inc. - Electric Division
Docket No. R-2021-3023618
UGI Electric 2021 Base Rate Case
Responses to Section 53.53 - II-B - Rate Base Supporting Schedules
Delivered on February 8, 2021

II-B-5

Request:

If a claim is made for compensating bank balances, provide the following information:

- a. Name and address of each bank.
- b. Types of accounts with each bank—checking, savings, escrow, other services, and the like.
- c. Average daily balance in each account.
- d. Amount and percentage requirements for compensating bank balance at each bank.
- e. Average daily compensating bank balance at each bank.
- f. Documents from each bank explaining compensating bank balance requirements.
- g. Interest earned on each type of account.
- h. A calculation showing the average daily float for each bank.

Response:

UGI Electric has no requirements for compensating bank balances with its banks and has not made a claim for this item.

Prepared by or under the supervision of: Vivian K. Ressler

UGI Utilities, Inc. - Electric Division
Docket No. R-2021-3023618
UGI Electric 2021 Base Rate Case
Responses to Section 53.53 - II-B - Rate Base Supporting Schedules
Delivered on February 8, 2021

II-B-6

Request:

Explain in detail by statement or exhibit the appropriateness of additional claims or the use of a method not previously mentioned, in the claimed rate base.

Response:

Please see UGI Electric Exhibit A (Fully Projected) Schedule C, the Direct Testimony of Eric W. Sorber, UGI Electric Statement No. 3, and the Direct Testimony of Vivian K. Ressler, UGI Electric Statement No. 4, for an explanation and detail of UGI Electric's claim for additional rate base items.

Prepared by or under the supervision of: Eric W. Sorber

UGI Utilities, Inc. - Electric Division
Docket No. R-2021-3023618
UGI Electric 2021 Base Rate Case
Responses to Section 53.53 - II-C - Operating Income Statement
Delivered on February 8, 2021

II-C-1

Request:

Prepare a Statement of Income including:

- a. The book, or budgeted, statement for the test year.
- b. Adjustments to annualize and normalize under present rates, including an elimination of the effects on income of the energy cost rate and state tax adjustment surcharge.
- c. The income statement under present rates after adjustment.
- d. The adjustment for the revenue requested.
- e. The income statement under requested rates after adjustment.

Each adjustment, including those relating to adjustment clauses, shall contain an explanation in sufficient clarifying detail to allow a reasonably informed person to understand the method and rationale of the adjustment.

Response:

The information requested in items a. through e. is set forth in UGI Electric Exhibit A (Future), and UGI Electric Exhibit A (Fully Projected). Please see the Direct Testimony of Stephen F. Anzaldo, UGI Electric Statement No. 2, and the Direct Testimony of Sherry A. Epler, UGI Electric Statement No. 8.

Prepared by or under the supervision of: Stephen F. Anzaldo

UGI Utilities, Inc. - Electric Division
Docket No. R-2021-3023618
UGI Electric 2021 Base Rate Case
Responses to Section 53.53 - II-C - Operating Income Statement
Delivered on February 8, 2021

II-C-2

Request:

If the schedule provided in item 1 is based upon budgeted data for a future test year, provide a similar schedule which is based upon actual data for the 12-month period immediately prior to the test year.

Response:

The information requested is set forth in UGI Electric Exhibit A (Historic). Please see the Direct Testimony of Stephen F. Anzaldo, UGI Electric Statement No. 2, and the Direct Testimony of Sherry A. Epler, UGI Electric Statement No. 8.

Prepared by or under the supervision of: Stephen F. Anzaldo

UGI Utilities, Inc. - Electric Division
Docket No. R-2021-3023618
UGI Electric 2021 Base Rate Case
Responses to Section 53.53 - II-D - Income Statement Supporting Schedules
Delivered on February 8, 2021

II-D-1

Request:

Provide a schedule showing all revenues and expenses for the test year and for the 12-month period immediately prior to the test year, together with an explanation for major variances between test year revenues and expenses and those for the previous 12-month period. Revenues and expenses shall be summarized by the major account categories listed below. If budgeted data for a future test year is not readily available by these categories, an analysis of the data for the 12-month period immediately prior to the future test year or for the most recent available calendar year may serve as the basis for ratably allocating the budgeted data into the account categories 400 through 432.

Response:

Please see Attachment II-D-1.

Prepared by or under the supervision of: Vivian K. Ressler

UGI UTILITIES, INC. - ELECTRIC DIVISION
SCHEDULE OF REVENUES AND EXPENSES
FUTURE TEST YEAR AND FULLY PROJECTED FUTURE TEST YEAR
(Dollars in Thousands)

	FTY 2021	FPFTY 2022	Increase/ (Decrease)
<u>OPERATING REVENUES</u>			
400 Electric Revenue:			
Residential Sales	63,016	63,319	303
Commercial	22,134	22,345	211
Public Street and Highway Lighting	660	677	17
Public Authorities	17	17	(1)
Sales for Resale	13	13	-
Total Sales Revenue	85,840	86,371	530
Other Electric Revenue:			
Forfeited Discounts	468	468	-
Misc Service Revenues	15	15	-
Rent from Electric Property	533	533	-
Other Electric Revenues	7,987	8,386	399 A
Total Other Electric Revenue	9,003	9,402	399
Total Operating Revenue	94,843	95,772	929
<u>OPERATING EXPENSE</u>			
401-402 Operation and Maintenance Expense:			
Power Purchases	43,091	43,050	(41)
Transmission Expenses	7,691	7,865	174
Distribution Expenses	10,401	10,580	180
Customer Accounts Expenses	3,346	3,428	82
Customer Service & Information Expenses	(423)	(431)	(8)
Sales Expenses	388	396	8
Administrative and General Expenses	9,542	9,797	255 B
Total Operation & Maintenance Expense	74,036	74,686	650
403-405 Depreciation Expense	7,553	8,007	454 C
408.1 Taxes Other than Income Taxes, utility operating income	5,781	5,807	26
Total Operating Expenses Prior to Income Taxes	87,369	88,499	1,130
<u>INCOME TAXES, UTILITY OPERATING INCOME</u>			
409.1 Income taxes, utility operating income	984	906	(78)
410.1/411.1 Provision for deferred income taxes, utility operating income	-	-	-
Total Income Taxes, Utility Operating Income	984	906	(78)
Operating Income After Income Taxes	6,490	6,367	(123)
<u>OTHER INCOME AND DEDUCTIONS</u>			
419 Interest and dividend (income) expense	(437)	215	652 D
426 Donations and expenditures for covid, political & related	161	164	3
Total Other Income & Deductions Expense (Income)	(277)	379	656
<u>INTEREST CHARGES</u>			
427 Interest on Long-term Debt	3,234	3,558	325 E
428 Amortization of Debt Discount and Expense	33	33	-
431 Other Interest Expenses	232	236	5
432 Allowance for Borrowed Funds Used During Construction	(86)	(81)	5
Total Interest Charges, net	3,412	3,747	335
Total Non-Operating Expense Prior to Income Taxes	3,135	4,125	990

UGI UTILITIES, INC. - ELECTRIC DIVISION
SCHEDULE OF REVENUES AND EXPENSES
FUTURE TEST YEAR AND FULLY PROJECTED FUTURE TEST YEAR
(Dollars in Thousands)

	FTY 2021	FPFTY 2022	Increase/ (Decrease)
<u>INCOME TAXES, OTHER INCOME AND DEDUCTIONS</u>			
409.2 Income Taxes, other income and deductions	-	-	-
410.2/411.2 Provision for deferred income taxes, other income and deductions	-	-	-
Total Income Taxes, Other Income and Deductions	-	-	-
Non-Operating Expense After Income Taxes	3,135	4,125	990
Net Income	<u>3,355</u>	<u>2,242</u>	<u>(1,114)</u>

- A The increase in Other Electric Revenues is due to an increase in Transmission Revenue as a result of additional investment.
- B The increase in Administrative and General Expenses is due primarily to normal salary, benefit and regulatory commission cost increases.
- C The increase in Depreciation Expense is due to additional plant placed in service during 2022, as well as a full year of depreciation in 2022 on the assets placed in service during 2021.
- D The change in interest and dividend (income) expense is due to a difference in the over/under collected status of the generation supply costs.
- E The increase in interest expense is due to additional debt outstanding in 2022.

UGI Utilities, Inc. - Electric Division
Docket No. R-2021-3023618
UGI Electric 2021 Base Rate Case
Responses to Section 53.53 - II-D - Income Statement Supporting Schedules
Delivered on February 8, 2021

II-D-2

Request:

Provide a summary of test year adjustments which sets forth the effect of the adjustment upon the following: operating revenues, operating expenses, taxes other than income taxes, operating income before income taxes, State income tax, Federal income tax and income available for return. In addition, test year adjustments shall be presented on the basis of the major account categories set out at II-D-1.

Response:

Please see Section D, Schedule D-3 within UGI Electric Exhibit A (Historic), Exhibit A (Future), and Exhibit A (Fully Projected).

Prepared by or under the supervision of: Stephen F. Anzaldo

UGI Utilities, Inc. - Electric Division
Docket No. R-2021-3023618
UGI Electric 2021 Base Rate Case
Responses to Section 53.53 - II-D - Income Statement Supporting Schedules
Delivered on February 8, 2021

II-D-3

Request:

List and explain all nonrecurring or extraordinary expenses incurred in the test year and all expenses included in the test year which do not occur yearly but are of a nature that they do occur over an extended period of years, for example, nonyearly maintenance programs, and the like.

Response:

Test year expenses that are non-recurring, extraordinary or do not occur yearly, but over an extended period of years, are explained and adjusted in Section D of UGI Electric Exhibit A (Historic), UGI Electric Exhibit A (Future), and UGI Electric Exhibit A (Fully Projected).

Prepared by or under the supervision of: Stephen F. Anzaldo

UGI Utilities, Inc. - Electric Division
Docket No. R-2021-3023618
UGI Electric 2021 Base Rate Case
Responses to Section 53.53 - II-D - Income Statement Supporting Schedules
Delivered on February 8, 2021

II-D-4

Request:

As a separate item, list extraordinary property losses related to property previously included in cost of service when the gain or loss on this property has occurred or is likely to occur in the future test year. The proposed ratemaking treatment of extraordinary gains and losses must also be disclosed. Sufficient supporting data must be provided.

Response:

No gain or loss was recorded for the 12-month periods ended 9/30/2018, 9/30/2019, or 9/30/2020. No gain or loss is anticipated in either the future or fully projected future test years.

Prepared by or under the supervision of: Vivian K. Ressler

UGI Utilities, Inc. - Electric Division
Docket No. R-2021-3023618
UGI Electric 2021 Base Rate Case
Responses to Section 53.53 - II-D - Income Statement Supporting Schedules
Delivered on February 8, 2021

II-D-5

Request:

Provide the amount of accumulated reserve for uncollectible accounts, method and rate of accrual, amounts accrued and amounts written off in each of the last 3 calendar years.

Response:

Please see Attachment II-D-5.

Prepared by or under the supervision of: Vivian K. Ressler

UGI Utilities, Inc. - Electric Division
Income Statement Supporting Schedules
Schedule of Reserve for Uncollectible Accounts

(\$ in 000's except for rate of accrual)

	<u>9/30/2018</u>	<u>9/30/2019</u>	<u>9/30/2020</u>
Account 144 - Accumulated Provision for Uncollectible Accounts	\$ 2,014	\$ 1,081	\$ 1,850
Method ¹	Allowance	Allowance	Allowance
Rate of Accrual ²	2.59%	0.82%	2.41%
Amounts Accrued - Uncollectible Expense ²	\$ 2,356	\$ 711	\$ 1,015
Amounts Written Off (net of recoveries)	\$ 1,264	\$ 1,643	\$ 1,259

¹ The allowance method recognizes that a percentage of each month's sales will eventually prove to be uncollectible. Consequently, a percentage of each month's sales is charged to uncollectible expense in that month and the reserve is increased. When specific accounts are written off, they are charged to the reserve account, thus decreasing the reserve.

² Fiscal year 2020 excludes \$1,013 recorded as a COVID-19 regulatory asset in accordance with the May 13, 2020 Secretarial Letter at Docket No. M-2020-3019775.

UGI Utilities, Inc. - Electric Division
Docket No. R-2021-3023618
UGI Electric 2021 Base Rate Case
Responses to Section 53.53 - II-D - Income Statement Supporting Schedules
Delivered on February 8, 2021

II-D-6

Request:

Supply detailed calculations to support the total claim for rate case expense, including supporting data for outside service rendered. Provide the items comprising the estimated rate case expense claim for the current rate case.

Response:

Schedule D-10 of UGI Electric Exhibit A (Fully Projected) provides the Company's claim for rate case expense. For further information, please see the Direct Testimony of Stephen F. Anzaldo, UGI Electric Statement No. 2.

Prepared by or under the supervision of: Stephen F. Anzaldo

UGI Utilities, Inc. - Electric Division
Docket No. R-2021-3023618
UGI Electric 2021 Base Rate Case
Responses to Section 53.53 - II-D - Income Statement Supporting Schedules
Delivered on February 8, 2021

II-D-7

Request:

Submit schedules for the test year and for the 12-month period immediately prior to the test year showing by major components, if included in claimed test year expenses, the expenses incurred in each of the following expense categories.

- a. Miscellaneous general expenses, including account 930.
- b. Outside service expenses.
- c. Regulatory commission expenses.
- d. Advertising expenses, including advertising engaged in by trade associations whenever the utility has claimed a contribution to the trade association as a ratemaking claim—provide explanation of types and purposes of such advertising.
- e. Research and development expenses—provide a listing of major projects.
- f. Charitable and civic contributions, by recipient and amount.

Explain major variances between the test year expenses and those expenses for the prior 12-month period.

Response:

- a. Please see Attachment II-D-7(a).
- b. Please see Attachment II-D-7(b).
- c. The expenditures associated with Account 928 – Regulatory Commission Expenses are \$410,000, \$307,000 and \$356,000 for 2020, 2021 and 2022, respectively, and are related to costs associated with the most recent rate case and other professional expenses.
- d. Please see Attachment II-D-7(d).

UGI Utilities, Inc. - Electric Division
Docket No. R-2021-3023618
UGI Electric 2021 Base Rate Case
Responses to Section 53.53 - II-D - Income Statement Supporting Schedules
Delivered on February 8, 2021

II-D-7 (Continued)

- e. UGI Electric did not have any research and development expenditures in the last two years and does not claim any expenditures in the historic, future, or fully project future test years.
- f. UGI Electric does not claim any charitable or civic contributions in the historic, future, or fully project future test years.

Prepared by or under the supervision of: Vivian K. Ressler

UGI UTILITIES, INC. - ELECTRIC DIVISION
SCHEDULE OF ACCOUNT 930.2 - MISCELLANEOUS GENERAL EXPENSES
FOR THE YEARS ENDING SEPTEMBER 30, 2020 THROUGH 2022

Expenditure Type (in Thousands)	2020	2021	2022
ASSOCIATION DUES	73	94	96
EMPLOYEE BUSINESS EXPENSE	36	2	2
OTHER EXPENSES	101	112	114
GRAND TOTALS	<u>210</u>	<u>208</u>	<u>211</u>

UGI UTILITIES, INC. - ELECTRIC DIVISION
SCHEDULE OF ACCOUNT 923.0 - OUTSIDE SERVICES
FOR THE YEARS ENDING SEPTEMBER 30, 2020 THROUGH 2022

Expenditure Type (in Thousands)	2020	2021	2022
CORPORATE ALLOCATION	1,677	1,646	1,703
INFORMATION TECHNOLOGY	452	369	269
LEGAL SERVICES	292	141	144
PROFESSIONAL FEES	298	402	429
INSURANCE	1	94	99
OTHER EXPENSES	(135)	141	141
GRAND TOTALS	<u>2,585</u>	<u>2,792</u>	<u>2,785</u>

**UGI UTILITIES, INC. - ELECTRIC DIVISION
ADVERTISING EXPENSE
FOR THE YEARS ENDING SEPTEMBER 30, 2020 THROUGH 2022**

Expenditure Type (in Thousands)	2020	2021	2022
SUMMARY BY PURPOSE			
CONSERVATION OF ENERGY	27	53	54
EXPLANATION OF BILL PRACTICES, RATES, ETC.	17	13	13
PUBLIC HEALTH AND SAFETY	2	2	2
DATA PROGRAMS IN EDUCATIONAL INSTITUTIONS	-	3	3
OTHER ADVERTISING PROGRAMS	30	53	54
	<hr/> 76	<hr/> 123	<hr/> 126
SUMMARY BY MEDIA			
PRINT	39	56	57
BILL INSERT	3	4	4
DIGITAL	21	29	29
OTHER*	13	35	36
	<hr/> 76	<hr/> 123	<hr/> 126

*Other Advertising media includes sponsorships, outdoor advertising and branded giveaways

UGI Utilities, Inc. - Electric Division
Docket No. R-2021-3023618
UGI Electric 2021 Base Rate Case
Responses to Section 53.53 - II-D - Income Statement Supporting Schedules
Delivered on February 8, 2021

II-D-8

Request:

Provide an analysis by function of charges by affiliates, for the test year and the 12-month period immediately prior to the test year, for services rendered included in the operating expenses of the filing company. Explain the nature of the service and the basis on which charges or allocations are made, including a copy of an applicable contract. Also, explain major variances between the charges for the test year and the corresponding charges for the prior 12-month period.

Response:

Please see Attachment II-D-8.1 for Charges Imposed by Affiliates. For Affiliate Interest Agreements and the applicable contracts, please see Attachment II-D-8.2.

Prepared by or under the supervision of: Vivian K. Ressler

UGI UTILITIES, INC. - ELECTRIC DIVISION
Charges Imposed by Affiliates
(in Thousands)

	FTY 2021		FPFTY 2022
UGI Corporation			
UGI Corporation Allocation	\$ 1,832	\$	1,894
Insurance Expense	577		655
Other Professional Services Expense	191		186
Total	\$ 2,600	\$	2,735

UGI UTILITIES, INC. - ELECTRIC DIVISION
List of Affiliated Interest Agreements

<u>Affiliate</u>	<u>Effective Dates</u>	<u>Docket#</u>	<u>Details</u>
UGI Corporation	May 1992	G-00920296	This Agreement sets forth the terms by which Utilities may provide administrative services to or receive services from Holding Company and its unregulated subsidiaries. These services will be provided on a cost basis.
	November 2016	G-2016-2543527	UGI Electric received the right to purchase power through its Commission-approved POLR supply plan and RFP process from any affiliate, and to receive a guarantee from an affiliate (such as UGI Corporation) as performance assurance for any POLR supply contracts with an affiliate (such as UGI Energy Services).
United Valley Insurance Co	June 1993	G-00930344	Affiliate Interest Agreement for insurance coverage through United Valley Insurance Co. Coverage through the affiliate is not mandatory and may be purchased through other independent companies when costs or coverage are more advantageous.

UGI Corporation Affiliated Interest Agreement G-00920296



RECD MAY 22 1992
TMT-600-0045
COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
P.O. BOX 3265, HARRISBURG, PA 17105-3265

May 21, 1992

IN REPLY PLEASE
REFER TO OUR FILE

G-00920296

▪
RICHARD L BUNN
UGI CORPORATION
PO BOX 13009
READING PA 19612-3009
▪

Affiliated Interest Agreement Between
UGI Corporation and UGI Utilities, Inc.

To Whom It May Concern:

This is to advise you that an Opinion and Order has been adopted by the Commission in Public Meeting on May 21, 1992 in the above entitled proceeding.

An Opinion and Order has been enclosed for your records.

Very truly yours,

A handwritten signature in cursive script, appearing to read "John G. Alford".

John G. Alford, Secretary

smk
Encls.
Cert.Mail

UGI Corporation Affiliated Interest Agreement G-00920296

BOX 858 VALLEY FORGE PA. 19482 ■ 215-337-1000

Both Copy

April 30, 1992

FEDERAL EXPRESS

The Honorable John G. Alford, Secretary
Commonwealth of Pennsylvania
Public Utility Commission
North Office Bldg., Room B-18
P.O. Box 3265
Commonwealth and North Streets
Harrisburg, PA 17120

Re: Administrative Services Agreement between
UGI Utilities, Inc. and UGI Corporation,
an Affiliated Interest

Dear Secretary Alford:

Enclosed for filing with the Pennsylvania Public Utility Commission ("Commission") pursuant to Section 2102 of the Public Utility Code, 66 Pa.C.S. §2102, are an original and two (2) conformed copies of an Administrative Services Agreement dated May 1, 1992 "(Agreement") between UGI Corporation and UGI Utilities, Inc.

As part of a corporate reorganization pursuant to a Plan of Merger approved by shareholders on April 9, 1992, the former UGI Corporation became a wholly owned subsidiary of New UGI Corporation, a holding company. The reorganization became effective on April 10, 1992. New UGI Corporation changed its name to UGI Corporation and the former UGI Corporation changed its name to UGI Utilities, Inc. In order to avoid potential confusion arising out of the name changes, "new" UGI Corporation is hereafter referred to as "Holding Company" and UGI Utilities is referred to as "Utilities."

Utilities is a public utility subject to the Commission's jurisdiction and is a wholly owned subsidiary of Holding Company. Holding Company is a Pennsylvania corporation and owns all of the outstanding common stock of Utilities. The Agreement sets forth the terms by which Utilities may provide administrative services to or receive services from Holding Company and its unregulated subsidiaries. The administrative services are essentially the same as those historically provided by Utilities to its unregulated subsidiaries prior to the formation of the current holding company structure.

ROUTE 363 AT PENNA. TURNPIKE INTERCHANGE, VALLEY FORGE

UGI Corporation Affiliated Interest Agreement G-00920296

The Honorable John G. Alford, Secretary
April 30, 1992
page 2

The Agreement contemplates that certain of the services formerly provided by Utilities Corporate Headquarters Group may be provided by Holding Company. The method of allocating the costs to be charged for these services is essentially the same as the method traditionally employed by Utilities. This allocation method was reviewed and approved as part of the Commission's Management and Operations Study of Utilities conducted in 1989.

To assist in the Commission's review, the following is a summary of the more significant terms of the Agreement:

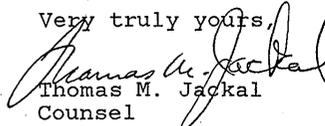
- o The administrative services to be provided by Holding Company after full implementation of the Agreement may include management, finance, pension fund management, internal audit, legal, shareholder relations, human resources, insurance, claims, legal, and similar types of services;
- o The administrative services to be provided by Utilities after full implementation of the Agreement may include information services, payroll, accounts payable, accounting and similar types of services;
- o Utilities and Holding Company will pay to each other the actual cost of the services each receives;
- o Utilities and Holding Company will bill each other for the services each provides on a monthly basis and maintain separate accountability;
- o All services provided by Utilities will be on an "as available" basis to assure that Utilities' provision of such services will not interfere with its obligation to provide gas and electric service to the public.
- o The duties, obligations and liabilities of Utilities and Holding Company are several and not joint or collective, assuring that Utilities will not be responsible for any obligation or liability of Holding Company.

UGI Corporation Affiliated Interest Agreement G-00920296

The Honorable John G. Alford, Secretary
April 30, 1992
page 3

I have enclosed a duplicate copy of this letter and ask that it be stamped as received by your office and returned to me in the enclosed self-addressed stamped envelope. If any additional information is required, please call.

Very truly yours,



Thomas M. Jackal
Counsel

TMJ/klb

Enclosures

UGI Corporation Affiliated Interest Agreement G-00920296

The Honorable John G. Alford, Secretary
April 30, 1992
page 4

bcc: J. C. Barney
A. S. Becker
A. C. Bullman
R. L. Bunn
M. J. Cuzzolina
R. R. Eynon
W. M. Graff
L. R. Greenberg
D. N. Knipel
C. L. Ladner
J. A. Lubas
S. R. Mauriello
J. A. Sutton
G. W. Westerman

UGI Corporation Affiliated Interest Agreement G-00920296

ADMINISTRATIVE SERVICES AGREEMENT

THIS AGREEMENT made as of this 1st day of May, 1992, between UGI Corporation ("Holding Company"), a Pennsylvania corporation, and UGI Utilities, Inc. ("Utilities"), a Pennsylvania corporation.

WITNESSETH:

WHEREAS, Utilities is a public utility providing natural gas and electric service subject to regulation by the Pennsylvania Public Utility Commission ("Commission") and is a wholly owned subsidiary of Holding Company; and

WHEREAS, Holding Company, under its articles, has unlimited power to engage in any lawful act concerning any lawful business for which corporations may be incorporated under the Pennsylvania Business Corporation Law and was formed for the purpose of separating Utilities' regulated and former unregulated operations; and

WHEREAS, as a part of the transactions related to formation of the holding company organization, Utilities may transfer to Holding Company certain employees of Utilities' former corporate headquarters group for the purpose of providing administrative services to Utilities and unregulated subsidiaries; and

WHEREAS, the parties wish to provide and receive the administrative services under the terms and conditions set forth herein; and

UGI Corporation Affiliated Interest Agreement G-00920296

WHEREAS, under the affiliated interest provisions of the Pennsylvania Public Utility Code ("Code") Holding Company is an affiliated interest of Utilities and any agreement between Holding Company and Utilities for the provision of administrative services must be filed with and approved by the Commission;

NOW THEREFORE, in consideration of the premises and of the mutual covenants of this Agreement and for other valuable consideration, received and acknowledged, and intending to be legally bound hereby, Holding Company and Utilities agree as follows:

1. Services.

(a) Holding Company agrees to provide such administrative services as may from time to time be requested by Utilities. These services may include but are not limited to executive management, finance, pension fund management, internal audit, legal, shareholder relations, human resources, insurance, claims, and similar types of services.

(b) Utilities agrees to provide such administrative services as may from time to time be requested by Holding Company or any of its subsidiaries on an "as available" basis. These services may include but not limited to information services, payroll, accounts payable, accounting and similar types of services.

2. Payment etc.

(a) Each party shall pay to the party providing the administrative services pursuant to Section 1, the actual cost

UGI Corporation Affiliated Interest Agreement G-00920296

of providing such services. In this regard, the party providing the services shall provide monthly to the party receiving the services an invoice and written documentation of the cost of providing the services pursuant to Section 1; the invoice shall be due and payable within 30 days after its receipt. When it is not reasonably possible or practical to determine actual costs, the parties may substitute allocation factors for actual costs.

(b) All such costs incurred by one party on behalf of the other (i) shall become the liability of the party receiving the services when incurred by the party providing the service, (ii) shall be determined in accordance with generally accepted accounting principles and (iii) shall include reasonable and appropriate indirect costs including overhead, as set forth on Attachment 1 to this Agreement.

(c) Holding Company may assume any liability of Utilities.

(d) Where Holding Company assumes any benefit, compensation, retirement or other similar plan of Utilities, Utilities may from time to time make payments to Holding Company in amounts not to exceed the payments Utilities would have been required to make at those times to beneficiaries under such plans had the plans not been assumed.

3. Agency.

(a) All services, materials, equipment and supplies purchased by Utilities at the request of Holding Company shall be purchased by Utilities on behalf of and as agent for

UGI Corporation Affiliated Interest Agreement G-00920296

Holding Company. In that regard, Holding Company hereby appoints Utilities as its agent, and Utilities agrees as its agent to negotiate, execute and enforce contracts (including purchase order contracts) providing for the purchase of services, materials, equipment and supplies. Each such contract shall be made in the name of Holding Company and shall, among other things, provide that Utilities shall be agent for Holding Company concerning the administration of the contract and that performance of the contract shall be for the account of, title to all property acquired thereunder shall vest in, and charges therefor shall be paid by Holding Company.

(b) All services, materials, equipment and supplies purchased by Holding Company at the request of Utilities shall be purchased by Holding Company on behalf of and as agent for Utilities. To the extent permitted by law and without delegating any of its public service obligations, Utilities hereby appoints Holding Company as its agent, and Holding Company agrees as Utilities' agent to negotiate, execute and enforce contracts (including purchase order contracts) providing for the purchase of services, materials, equipment and supplies. Each such contract shall be made in the name of Utilities and shall, among other things, provide that Holding Company shall be agent for Utilities concerning the administration of the contract and that performance of the contract shall be for the account of, title to all property acquired thereunder shall vest in, and charges therefor shall be paid by Utilities.

UGI Corporation Affiliated Interest Agreement G-00920296

4. Subsidiary Participation. Holding Company as used herein includes all subsidiary companies of UGI Corporation other than UGI Utilities, Inc.

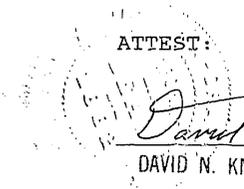
5. Obligations Several. The duties, obligations and liabilities of Holding Company and Utilities under this Agreement are intended to be several and not joint or collective, and nothing in this Agreement shall ever be construed to create an association, joint venture, trust or partnership, or to impose a trust or partnership duty, obligation or liability on or with regard to any of the parties. Each party shall be individually responsible for its own obligations as herein provided. No party shall be under the control of or shall be deemed to control the other party solely by virtue of this Agreement. No party shall have a right or power to bind another party without its express written consent, except as expressly provided in this Agreement.

6. Termination. Any party shall have the right at any time to terminate this Agreement upon ninety (90) days written notice of its election to do so.

UGI Corporation Affiliated Interest Agreement G-00920296

7. Regulatory Approval. This Agreement is subject to the approval of the Commission, and shall be immediately effective upon receipt of such approval.

ATTEST:


David N. Knipel
DAVID N. KNIPEL, SECRETARY

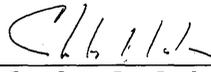
UGI CORPORATION

By: 
George W. Westerman
Senior Vice President -
Administration

ATTEST:


David N. Knipel
DAVID N. KNIPEL, SECRETARY

UGI UTILITIES, INC.

By: 
Charles L. Ladner
Vice President

UGI Corporation Affiliated Interest Agreement G-00920296Attachment 1

Each party receiving the benefit of the administrative services shall pay the actual cost of the services provided. The cost of these administrative services will be allocated using a two-step process:

- o Direct Charge - If charges can reasonably be determined to benefit only one particular party they will be charged directly to that organization.
- o Allocation - If charges benefit more than one party, but a reasonable separation of the charges cannot be readily made, they will be allocated to applicable organizations based upon predetermined formulas.

**PENNSYLVANIA
PUBLIC UTILITY COMMISSION
Harrisburg, PA 17105-3265**

Public Meeting held November 9, 2016

Commissioners Present:

Gladys M. Brown, Chairman, Statement, Dissenting
Andrew G. Place, Vice Chairman
John F. Coleman, Jr.
Robert F. Powelson
David W. Sweet, Dissenting

Petition of UGI Utilities, Inc. – Electric	:	
Division For Approval of a Default Service	:	P-2016-2543523
Plan and Retail Market Enhancement	:	G-2016-2543527
Programs for the Period of June 1, 2017	:	
through May 31, 2021, and Associated	:	
Potential Affiliated Interest Transactions	:	

ORDER

BY THE COMMISSION:

We adopt as our action the Recommended Decision of Administrative Law Judges Angela T. Jones, dated October 3, 2016;

THEREFORE,

IT IS ORDERED:

1. That the Joint Petition for Settlement filed by UGI Utilities, Inc. – Electric Division, the Office of Consumer Advocate, and the Office of Small Business Advocate in the case captioned Petition of UGI Utilities, Inc. – Electric Division for Approval of a Default

Service Plan and Retail Market Enhancement Programs for the Period of June 1, 2017, through May 31, 2021, and Associated Potential Affiliated Interest Transactions, Docket Nos. P-2016-2543523 and G-2016-2543527, is approved without modification.

2. That the default service program as set forth in UGI Utilities, Inc. – Electric Division’s petition is approved as modified by the Joint Petition for Settlement.

3. That the request for affiliated interest approval for transactions with a UGI Utilities, Inc., affiliate(s) in the event such an affiliate(s) submits a winning bid under the default service program’s proposed RFP processes and that bid is accepted by the Commission, is granted.

4. That the request that the Commission grant any waivers required to implement the default service program set forth in the petition, including a waiver of the Commission’s regulation at 52 Pa.Code § 54.187 to allow UGI Utilities, Inc. – Electric Division to acquire default supplies for the GSR-1 and GSR-2 customer groups as described in the petition and modified by the Settlement Agreement is granted.

5. That UGI Utilities, Inc. – Electric Division is authorized to file tariff sheets substantially similar in the form of the pro forma tariff sheets included with the Settlement Agreement as Appendix “A” on or before May 2, 2017, to be effective June 1, 2017.

6. That UGI Utilities, Inc. – Electric Division is authorized to file tariff sheets no later than thirty days in advance of each quarter beginning June 1, 2017, specifying the applicable GSR-1 Group default service rates for the prospective quarter.

7. That UGI Utilities, Inc. – Electric Division's proposed retail choice market enhancement programs as modified by the Settlement are approved, including, to the extent required, any affiliated interest approvals necessary for UGI Utilities, Inc. – Electric Division affiliates to participate in such programs.

8. That UGI Utilities, Inc. – Electric Division’s use of Pace Global Energy Services, LLC as its independent third party evaluator and monitor of AEPS credit for procurement and supply is approved.

9. That the request for admission of testimony and exhibits listed in Attachment A of the Recommended Decision is granted.

10. That the testimony and exhibits listed in Attachment A of the Recommended Decision are admitted.

BY THE COMMISSION


Rosemary Chiavetta
Secretary

(SEAL)

ORDER ADOPTED: November 9, 2016

ORDER ENTERED: November 9, 2016

AIA UGIU Insurance G-00930344



COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
P.O. BOX 3265, HARRISBURG, PA 17105-3265

June 10, 1993

IN REPLY PLEASE
REFER TO OUR FILE

G-00930344

THOMAS M JACKAL ESQUIRE
UGI UTILITIES INC
460 NORTH GULPH ROAD
PO BOX 858
VALLEY FORGE PA 19483-0858

T.M.J. JUN 14 1993

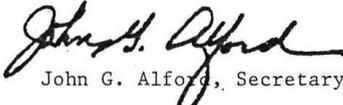
Affiliated Interest Agreement between
UGI Utilities, Inc. and an as yet unformed
Affiliated Insurance Company, whose primary
purpose will be to provide insurance coverage
to all UGI Utilities

To Whom It May Concern:

This is to advise you that an Opinion and Order has been adopted by the Commission in Public Meeting on June 10, 1993 in the above entitled proceeding.

An Opinion and Order has been enclosed for your records.

Very truly yours,


John G. Alford, Secretary

smk
Encls.
Cert.Mail

AIA UGIU Insurance G-00930344

PENNSYLVANIA
PUBLIC UTILITY COMMISSION
Harrisburg, PA. 17105-3265

Public Meeting held June 10, 1993

Commissioners Present:

David W. Rolka, Chairman
Joseph Rhodes, Jr., Vice Chairman
John M. Quain
John Hanger

Affiliated Interest Agreement between UGI
Utilities, Inc. and an as yet unformed
Affiliated Insurance Company, whose
primary purpose will be to provide
insurance coverage to all UGI Utilities

G-00930344

OPINION AND ORDER

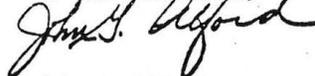
BY THE COMMISSION:

On May 17, 1993, UGI Utilities, Inc. filed a verified summary of an Agreement with an as yet unformed Affiliated Insurance Company, whose primary purpose will be to provide insurance coverage to all UGI Utilities. Upon review of the Agreement, staff found need for further information.

Section 2102 (b) of the Public Utility Code, 66 Pa. C.S. § 2102 (b), provides that the agreement shall be deemed approved if a written order is not entered at the end of thirty days after the filing of the agreement, unless the Commission extends the thirty day period. In order to adequately review the agreement, it is necessary that we extend the consideration period for an additional sixty days, or to August 15, 1993; **THEREFORE,**

IT IS ORDERED: That the period for consideration of the Affiliated Interest Agreement filed by UGI Utilities, Inc. on May 17, 1993, to become effective June 16, 1993, is hereby extended for an additional sixty days, or to August 15, 1993.

BY THE COMMISSION,



John G. Alford
Secretary

(SEAL)

ORDER ADOPTED: June 10, 1993

ORDER ENTERED: June 10, 1993

AIA UGIU Insurance G-00930344



UGI Utilities, Inc.
 480 North G. St. Road
 King of Prussia, PA 19406
 Post Office Box 856
 Valley Forge, PA 19482-0858
 (215) 337-1000 Telephone
 (215) 992-3258 Fax

May 17, 1993

OVERNIGHT MAIL

The Honorable John G. Alford, Secretary
 Pennsylvania Public Utility Commission
 North Office Bldg., Room B-18
 Commonwealth and North Streets
 Harrisburg, PA 17105-3265

Re: Insurance Arrangement between UGI Utilities, Inc. and
 an Affiliated Insurer

Dear Secretary Alford:

Pursuant to Section 2102 of the Public Utility Code (the "Code"), 66 Pa. C.S. §2102, I submit for the Commission's approval the original and two (2) copies of this letter as a verified summary of an arrangement between UGI Utilities, Inc. ("UGI Utilities") and an as yet unformed affiliated insurance company. UGI Utilities, a wholly owned subsidiary of UGI Corporation, is a public utility as defined in Section 102 of the Code, 66 Pa. C.S. §102, and as such is subject to the Commission's jurisdiction. UGI Corporation expects to form and own a corporation ("Affiliated Insurer") whose

As a subsidiary of a common corporate parent, Affiliated Insurer will be an affiliated interest of UGI Utilities as defined in Section 2101(a)(3) of the Code, 66 Pa. C.S. §2101(a)(3). Section 2102 of the Code provides that no contract or arrangement between a public utility and an affiliated interest shall be valid or effective until it receives written approval of the Commission, and that a public utility may seek such approval by filing a verified copy or verified summary of the contract or arrangement. Accordingly, UGI Utilities requests approval of an unwritten arrangement whereby Affiliated Insurer may provide insurance coverage to UGI Utilities.

UGI Utilities currently receives insurance management services from its parent corporation, UGI Corporation, pursuant to the provisions of an administrative services agreement approved by the Commission on May 21, 1992, Docket No. G-00920296. As part of these services the Director of Insurance of UGI Corporation analyzes the insurance needs of UGI Utilities and obtains appropriate insurance coverage through policies negotiated annually with independent insurance companies. Currently UGI Utilities is self-insured for claims up to \$500,000. For automobile, general liability and worker's compensation claims between \$500,000 and \$25,000,000, UGI Utilities has policies of insurance with Associated Electric & Gas Services Limited ("AEGIS"). UGI Utilities also has coverage through independent insurance companies for claims in excess of \$25,000,000. Under the proposed arrangement, UGI Corporation will continue to manage UGI Utilities' insurance program, but insurance coverage may be provided by Affiliated Insurer.

AIA UGIU Insurance G-00930344

The Honorable John G. Alford, Secretary
May 17, 1993
Page 2

Although Affiliated Insurer will be incorporated for all lawful purposes, its principal business is intended to be the provision of insurance coverage to UGI Corporation, its affiliates and subsidiaries. In its capacity as an insurance company, Affiliated Insurer will meet all capitalization and security requirements of Vermont law and will be subject to regulation by the Vermont Department of Banking, Insurance and Securities.

Subject to Commission approval,

To the extent possible Affiliated Insurer would write coverage on policy forms identical to the ones in effect between UGI Utilities and its independent insurance companies. UGI Utilities would then have the opportunity to choose between coverage offered by independent insurance companies and that offered by Affiliated Insurer. UGI Utilities would not be compelled to place insurance with Affiliated Insurer nor would it be compelled to renew coverage at the end of any policy year.

The following procedure will be used to assure that placing insurance with Affiliated Insurer will be in the best interests of UGI Utilities and its ratepayers.

, the Director of Insurance will define the level and scope of insurance coverage that can be offered by Affiliated Insurer. The Director of Insurance will then obtain quotes from independent insurance companies for this level of coverage.

If independent insurance companies offer better rates or better coverage, UGI Utilities would choose policies from those companies.

By way of example, under the proposed arrangement UGI Utilities may choose to continue a \$500,000 self-insured retention level, cover the risk of loss between \$500,000 and \$1,000,000 through Affiliated Insurer and continue excess insurance with AEGIS (or another carrier) for losses in excess of \$1,000,000. In deciding whether to adopt this coverage UGI Utilities would obtain premium quotes from independent insurers both for coverage in excess of \$500,000 (current coverage) and for coverage in excess of \$1,000,000. The difference between these premiums would establish the maximum UGI Utilities would be required to pay Affiliated Insurer for coverage between \$500,000 and \$1,000,000 in claims. Put another way, if the sum of the premium for Affiliated Insurer's coverage plus the premium for coverage in excess of \$1,000,000 is greater than the single premium for independent coverage in excess of \$500,000, UGI Utilities would continue to cover losses in excess of \$500,000 through independent insurers and would not place insurance with Affiliated Insurers.

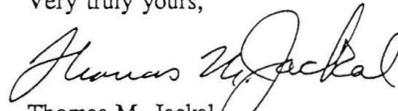
AIA UGIU Insurance G-00930344

The Honorable John G. Alford, Secretary
May 17, 1993
Page 3

Placing insurance with an affiliated insurance company presents several advantages to UGI Utilities and its ratepayers. The first is decreased cost by improving UGI Utilities' access to insurance and reinsurance markets. For example, reinsurance (by which one insurance company assumes all or a part of the liability of an insurance company already covering the risk) is less costly than regular insurance and can only be purchased by a bona fide insurance company. This should enable Affiliated Insurer to offer lower than market rates to UGI Utilities. Doing business with an affiliate stabilizes insurance expenses by insulating UGI Utilities from insurance market cycles unrelated to the loss experience of UGI Utilities and its affiliates. Even if Affiliated Insurer's premiums rise on the basis of this loss experience, UGI Utilities' ratepayers will not be harmed because UGI Utilities retains the option of choosing market rates if they are lower. An affiliated insurance company may also provide potentially broader coverage, as the policies may be tailor-made to fit the particular needs of UGI Utilities. Coverage that may otherwise be unavailable or prohibitively expensive in the marketplace may be provided in a cost-effective way by an affiliate. Thus, placing insurance with an affiliate will reduce UGI Utilities' overall cost of insurance and may enable UGI Utilities to protect against losses that would otherwise be uninsurable.

I have enclosed an extra copy of this letter and ask that it be stamped as received by your office and returned to me in the enclosed self-addressed stamped envelope. If any additional information is required, please call.

Very truly yours,



Thomas M. Jackal
Group Counsel - Utilities

TMJ/klb

Enclosures

cc: Robert Bennett (w/encl.)
Office of Special Assistants

TMJL-ALFORD.06

AIA UGIU Insurance G-00930344

The Honorable John G. Alford, Secretary

May 17, 1993

Page 4

bcc: (w/encl.)
J. C. Barney
T. J. Bonner
R. L. Bunn
M. M. Calabrese
M. J. Cuzzolina
J. A. Doan
W. M. Graff
L. R. Greenberg
S. R. Mauriello
G. W. Westerman

AIA UGIU Insurance G-00930344

COMMONWEALTH OF PENNSYLVANIA :
 : SS
COUNTY OF ~~BERKS~~ Montgomery :

AFFIDAVIT

JOHN C. BARNEY, being duly sworn according to law deposes and says that he is Vice President - Finance and Accounting of UGI Utilities, Inc., a Pennsylvania corporation, that he is authorized to and does make this affidavit for it; that the arrangement summarized in the foregoing letter dated May 17, 1993, accurately reflects the proposed arrangement between UGI Utilities, Inc. and an affiliated insurance company for the purpose of providing insurance coverage to UGI Utilities, Inc.

John C. Barney

John C. Barney

Sworn to and subscribed before me this 17th day of May, 1993.

Rachel M. Reck

Notary Public

Notarial Seal
Rachel M. Reck, Notary Public
Upper Merion Twp., Montgomery County
My Commission Expires Nov. 18, 1996
Member, Pennsylvania Association of Notaries

UGI Utilities, Inc. - Electric Division
Docket No. R-2021-3023618
UGI Electric 2021 Base Rate Case
Responses to Section 53.53 - II-D - Income Statement Supporting Schedules
Delivered on February 8, 2021

II-D-9

Request:

Prepare a detailed schedule for the test year showing types of social and service organization memberships paid for, the cost thereof, the accounting treatment and whether included in claimed test year expenses.

Response:

UGI Electric does not include membership dues for social and service organizations in test year expenses.

Prepared by or under the supervision of: Vivian K. Ressler

UGI Utilities, Inc. - Electric Division
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II-D-10

Request:

Provide the following payroll and employe benefit data—regular and overtime—separately for the test year and for the 12-month period immediately prior to the test year:

- a. The average and year-end number of employes and the unadjusted annual payroll expense and employe benefit expense associated with union personnel.
- b. The average and year-end number of employes and the unadjusted annual payroll expense and employe benefit expense associated with nonunion personnel.
- c. The average and year-end number of employes and the unadjusted annual payroll expense and employe benefit expense associated with management employes, if different than b.
- d. A summary of the wage rate, salary and employe benefit changes granted or to be granted during the year.
- e. The claimed test year payroll expense and employe benefit expense.
- f. The percentage of payroll expense and employe benefit expense applicable to operation and maintenance expenses and the basis thereof.

Response:

- a. Please see Attachment II-D-10.
- b. Please see Attachment II-D-10.
- c. Please see response to b. above.
- d. Please see Schedule D-7, page 2 of 2 in UGI Electric Exhibit A (Fully Projected) and UGI Electric Exhibit A (Future).
- e. Please see Attachment II-D-10.
- f. Please see Attachment II-D-10.

Prepared by or under the supervision of: Stephen F. Anzaldo

UGI Utilities, Inc. - Electric Division
Payroll and Employee Benefit Data
(\$000)

		Years Ending September	
		2021	2022
a.	<u>Union Personnel</u>		
	Average Number of Employees	27	27
	Year-end Number of Employees	27	27
	Payroll Expenses		
	Normal	\$ 1,126	\$ 1,310
	Overtime	\$ 165	\$ 165
	Benefit Expenses	\$ 337	\$ 342
b.	<u>Non-Union Personnel</u>		
	Average Number of Employees	56	56
	Year-end Number of Employees	56	56
	Payroll Expenses		
	Normal (A)	\$ 3,910	\$ 4,030
	Overtime (A)	\$ 406	\$ 406
	Benefit Expenses (A)	\$ 1,029	\$ 1,069
e.	<u>Claimed for Test Year</u>		
	Payroll to Expense	\$ 5,607	\$ 5,911
	Benefit to Expense	\$ 1,366	\$ 1,412
f.	<u>Percent of Total Payroll + Benefit</u> <u>Applicable to O&M</u>		
	Payroll	8.1%	8.5%
	Benefit	2.0%	2.0%

(A) Amounts presented include costs allocated for Utility Shared Service Personnel.

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II-D-11

Request:

Describe costs relative to leasing equipment, including computer rentals, and office space, including terms and conditions of the leases. State method for calculating monthly or annual payments.

Response:

Please see Attachment II-D-11.

Prepared by or under the supervision of: Vivian K. Ressler

UGI Utilities, Inc. - Electric Division
Costs Relative to Leasing Equipment, Computer Rental and Office Space
Twelve Months Ended September 30, 2020
(Thousands of Dollars)

	<u>Annual Costs</u>	<u>Method of Computing Payments</u>	<u>Terms of Lease or Rental Agreement</u>
Building	\$ 32	Monthly Payments per lease or rental agreements. Percentage applied from Modified Wisconsin Formula for leases of shared properties.	Through 2022
IS/Computer Equipment	52	Monthly payments per lease or rental agreements. Percentage applied from Modified Wisconsin Formula for leases of shared properties.	Through 2024
Motor Vehicle	195	Monthly payments for leases of rental agreements.	Through 2023
Total	<u>\$ 279</u>		

UGI Utilities, Inc. - Electric Division
Docket No. R-2021-3023618
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II-D-12

Request:

Submit a statement of past and anticipated changes, since the previous rate case, in major accounting procedures, explain any differences between the basis or procedure used in allocations of revenues, expenses, depreciation and taxes in the current rate case and that used in the prior rate cases, and list all internal and independent audit reports for the most recent 2 year period.

Response:

- Leases. Effective October 1, 2019, the Company adopted ASU No. 2016-02, "Leases," which, as amended, is included in ASC 842. This new accounting guidance supersedes previous lease accounting guidance in ASC 840 and requires entities that lease assets to recognize the assets and liabilities for the rights and obligations created by those leases on its balance sheet. The new guidance also requires additional disclosures about the amount, timing and uncertainty of cash flows from leases. We adopted this new guidance using the modified retrospective transition method. Amounts and disclosures related to periods prior to October 1, 2019 have not been restated and continue to be reported in accordance with ASC 840. We elected to apply the following practical expedients in accordance with the guidance upon adoption:
 - Short-term leases: We did not recognize short-term leases (term of 12 months or less) on the balance sheet.
 - Easements: We did not re-evaluate existing land easements that were not previously accounted for as leases; and
 - Other: We did not reassess the classification of expired or existing contracts or determine whether they are or contain a lease. We also did not reassess whether initial direct costs qualify for capitalization under ASC 842.

Upon adoption, we recorded ROU assets and lease liabilities attributable to the Electric division totaling \$154,492 related to our operating leases. Our accounting for finance leases remained substantially unchanged. There were no cumulative-effect adjustments made to retained earnings as of October 1, 2019. The adoption did not have a significant impact on our consolidated statements of income or cash flows.

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II-D-12 (Continued)

- Revenue Recognition. Effective October 1, 2018, the Company adopted ASU No. 2014-09, "Revenue from Contracts with Customers," which, as amended, is included in ASC 606. This accounting guidance superseded previous revenue recognition requirements in ASC 605. ASC 606 requires that an entity recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. We adopted this new accounting guidance using the modified retrospective transition method to those contracts which were not completed as of October 1, 2018. Periods prior to October 1, 2018, have not been restated and continue to be reported in accordance with ASC 605. There was no cumulative effect of ASC 606 recorded as of October 1, 2018 related to the Company's electric division. The adoption of ASC 606 did not have a material impact on the amount or timing of our revenue recognition.
- Cloud Computing Implementation Costs. In August 2018, the FASB issued ASU No. 2018-15, "Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract." The guidance requires a customer in a cloud computing arrangement that is a service contract to capitalize certain implementation costs as if the arrangement was an internal-use software project. These deferred implementation costs are expensed over the fixed, noncancelable term of the service arrangement plus any reasonably certain renewal periods. The guidance also requires the entity to present the expense related to the capitalized implementation costs in the same income statement line as the hosting service fees; to classify payments for capitalized implementation costs in the statement of cash flows in the same manner as payments for hosting service fees; and to present the capitalized implementation costs in the balance sheet in the same line item in which prepaid hosting service fees are presented. We adopted this ASU effective October 1, 2018, and applied the guidance prospectively to all implementation costs associated with cloud computing arrangements that are service contracts incurred beginning October 1, 2018. As we receive rate recovery for cloud computing implementation costs, such costs will continue to be deferred as a regulatory asset and included as a component of property, plant, and equipment. The adoption of the new guidance did not have a material impact on our result of operation in periods subsequent to adoption.
- Stranded Tax Effects in Accumulated Other Comprehensive Income. In February 2018, the FASB issued ASU No. 2018-02, "Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income." This ASU provides that the stranded tax effects in AOCI resulting from the remeasurement of

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II-D-12 (Continued)

deferred income taxes associated with items included in AOCI due to the enactment of the TCJA may be reclassified to retained earnings, at the election of the entity, in the period the ASU is adopted. We adopted this ASU effective October 1, 2018. In connection with the adoption of this guidance, we reclassified a benefit of \$5,451,000 from AOCI to opening retained earnings as of October 1, 2018, to reflect the reduction in the federal income tax rate, and the federal benefit of state income taxes, on the components of AOCI.

- Pension and Other Postretirement Benefit Costs. In March 2017, the FASB issued ASU No. 2017-07, "Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost." This ASU requires entities to disaggregate the service cost component from the other components of net periodic benefit costs and present it with compensation costs for related employees in the income statement. The other components are required to be presented elsewhere in the income statement and outside of income from operations. The amendments in this ASU permit only the service cost component to be eligible for capitalization, when applicable. For entities subject to rate regulation, the ASU recognized that in the event a regulator continues to require capitalization of all net periodic benefit costs prospectively, the difference would result in the recognition of a regulatory asset or liability.

The new guidance became effective for us on October 1, 2018 with a retrospective adoption for income statement presentation and a prospective adoption for capitalization. Upon adoption, effective October 1, 2018, the Company continued to capitalize the non-service cost components of postretirement benefit costs as a component of property, plant, and equipment. The capitalized amount of the non-service cost components were deemed immaterial through September 30, 2020. Other than the presentation of the non-service cost components on the statement of income, the adoption of this guidance will did not have a material impact on our financial statements.

Accounting Standard Not Yet Adopted:

- Credit Losses: In June 2016, the FASB issued ASU 2016-13, "Measurement of Credit Losses on Financial Instruments." This ASU, as subsequently amended, requires entities to estimate lifetime expected credit losses for financial instruments not measured at fair value through net income, including trade and other receivables, net investments in leases, financial receivables, debt securities, and other financial instruments. Further, the new current expected credit loss model affects how entities estimate their allowance for losses related to

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II-D-12 (Continued)

receivables that are current with respect to their payment terms. Effective October 1, 2020, the Company adopted this ASU, as updated, using a modified retrospective transition approach. The adoption of the new guidance did not have a material impact on our financial statements.

- **Income Taxes:** In December 2019, the FASB issued ASU 2019-12, “Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes.” This ASU simplifies the accounting for income taxes by eliminating certain exceptions within the existing guidance for recognizing deferred taxes for equity method investments, performing intraperiod allocations and calculating income taxes in interim periods. Further, this ASU clarifies existing guidance related to, among other things, recognizing deferred taxes for goodwill and allocated taxes to members of a consolidated group. This new guidance is effective for the Company for interim and annual periods beginning October 1, 2021 (Fiscal 2022). Early adoption is permitted. The Company is in the process of assessing the impact on our consolidated financial statements from the adoption of the new guidance and determining the period in which the new guidance will be adopted.

Please see Attachment II-D-12 for a list of all internal and independent audit reports for the past two years.

Prepared by or under the supervision of: Vivian K. Ressler

**UGI Utilities, Inc. - Electric Division
Listing of Audit Reports**

Entity	Audit Report Name	Auditor	Audit Year	Date Issued
UGI Utilities, Inc.	Audited Financial Statements for UGI Utilities, Inc.	Ernst & Young, LLP	FY 2020	12/15/2020
UGI Utilities, Inc.	Compromise Assessment	Internal Audit	FY 2020	10/26/2020
UGI Utilities, Inc.	UGI Utilities - System Development Life Cycle Audit	Internal Audit	FY 2020	9/21/2020
UGI Utilities, Inc.	UGI Utilities - FERC Gas Transactions AUP - Final Audit Report	Internal Audit	FY 2020	9/15/2020
UGI Utilities, Inc.	Wire Fraud IT Investigation	Internal Audit	FY 2020	7/14/2020
UGI Utilities, Inc.	Order to Cash Natural Gas Revenue	Internal Audit	FY 2020	7/10/2020
UGI Utilities, Inc.	UGI Utilities Intercompany Transactions Audit	Internal Audit	FY 2020	5/6/2020
UGI Utilities, Inc.	UGI Utilities Data Center Audit	Internal Audit	FY 2020	5/6/2020
UGI Utilities, Inc.	UGI Utilities Backup Process and Backup Data Management	Internal Audit	FY 2020	3/6/2020
UGI Utilities, Inc.	Audited Financial Statements for UGI Utilities, Inc.	Ernst & Young, LLP	FY 2019	11/26/2019
UGI Utilities, Inc.	Natural Gas SCADA	Internal Audit	FY 2019	11/4/2019
UGI Utilities, Inc.	Safety Workforce and Facilities	Internal Audit	FY 2019	9/11/2019
UGI Utilities, Inc.	UGI Utilities - ERM Controls Testing - Memo	Internal Audit	FY 2019	9/6/2019
UGI Utilities, Inc.	UGI Utilities Materials & Supplies Audit	Internal Audit	FY 2019	9/4/2019
UGI Utilities, Inc.	Order To Cash Electric Revenue Audit	Internal Audit	FY 2019	9/4/2019
UGI Utilities, Inc.	Business Continuity Plan and Disaster Recovery	Internal Audit	FY 2019	8/26/2019
UGI Utilities, Inc.	Vulnerability Assessment Audit	Internal Audit	FY 2019	7/1/2019
UGI Utilities, Inc.	IT Infrastructure Audit - Utilities	Internal Audit	FY 2019	6/3/2019
UGI Utilities, Inc.	2019 Hedging - Commodity Policy Audit	Internal Audit	FY 2019	3/29/2019
UGI Utilities, Inc.	Utilities 2018 - FERC Gas Transactions AUP	Internal Audit	FY 2019	11/5/2018
UGI Utilities, Inc.	3rd Party Vendor	Internal Audit	FY 2019	10/8/2018
UGI Utilities, Inc.	Audited Financial Statements for UGI Utilities, Inc.	Ernst & Young, LLP	FY 2018	11/20/2018

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II-D-13

Request:

Regardless of whether a claim for negative or positive net salvage is made, attach an exhibit showing gross salvage, cost of removal, third party reimbursements, if any, and net salvage for the test year and 4 previous years.

Response:

The information related to the historic test year is presented in Part IV of UGI Electric Exhibit C (Historic) in the section titled “Experienced Net Salvage.”

The information related to the future test year is set forth in Part VIII of UGI Electric Exhibit C (Future) in the section titled “Experienced and Estimated Net Salvage.”

The information related to the fully projected test year is set forth in Part IV of UGI Electric Exhibit C (Fully Projected) in the section titled “Experienced and Estimated Net Salvage.”

Prepared by or under the supervision of: John F. Wiedmayer

UGI Utilities, Inc. - Electric Division
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II-D-14

Request:

State the amount of debt interest utilized for test year income tax calculations, including the amount so utilized which has been allocated from the debt interest of an affiliate, and provide details of debt interest and allocation computations.

Response:

See Schedule D-33 of UGI Electric Exhibit A (Historic), UGI Electric Exhibit A (Future), and UGI Electric Exhibit A (Fully Projected) for a calculation of the interest expense used in computing test year income tax expense. UGI Electric does not utilize any debt interest which has been allocated from the debt interest of an affiliate in the computation of taxable income.

Prepared by or under the supervision of: Nicole M. McKinney

UGI Utilities, Inc. - Electric Division
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II-D-15

Request:

Provide a schedule for the test year of Federal and Pennsylvania taxes other than income taxes, per books, pro forma at present rates, and pro forma at proposed rates, including the following tax categories:

- a. Social security.
- b. Unemployment.
- c. Capital stock.
- d. Public utility.
- e. P.U.C. assessment.
- f. Other property taxes.
- g. Any other appropriate categories.

Response:

See Schedule D-31 to UGI Electric Exhibit A (Historic), UGI Electric Exhibit A (Future), and UGI Electric Exhibit A (Fully Projected).

Prepared by or under the supervision of: Nicole M. McKinney

UGI Utilities, Inc. - Electric Division
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II-D-16

Request:

Submit a schedule showing the adjustments from taxable net income per books to taxable net income pro forma under existing rates and pro forma under proposed rates, together with an explanation of all normalizing adjustments. Submit detailed calculations supporting taxable income before State and Federal income taxes where the income tax is subject to allocation due to operations in another state or due to operation of other taxable utility or non-utility business, or by operating divisions or areas.

Response:

See Schedules D-33 and D-34, UGI Electric Exhibit A (Historic), UGI Electric Exhibit A (Future), and UGI Electric Exhibit A (Fully Projected).

Prepared by or under the supervision of: Nicole M. McKinney

UGI Utilities, Inc. - Electric Division
Docket No. R-2021-3023618
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II-D-17

Request:

Submit a schedule showing for the last 5 years the income tax refunds, plus interest—net of taxes, received from the Federal government due to prior years' claims.

Response:

None.

Prepared by or under the supervision of: Nicole M. McKinney

UGI Utilities, Inc. - Electric Division
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II-D-18

Request:

Furnish a breakdown of major items comprising prepaid and deferred income tax charges and other deferred income tax credits, reserves and associated reversals on liberalized depreciation.

Response:

Please see UGI Electric Exhibit A, Schedule C-6 (Historic) for deferred taxes relative to liberalized depreciation.

The net value of deferred taxes on items other than plant in service at fiscal year ended 9/30/20 is \$2,323,385 deferred tax asset.

Prepared by or under the supervision of: Nicole M. McKinney

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II-D-19

Request:

Explain how the Federal corporate graduated tax rates have been reflected for rate case purposes. If the Pennsylvania jurisdictional utility is part of a multi-corporate system, explain how the tax savings are allocated to each member of the system.

Response:

The Federal corporate graduated tax rates do not apply to the consolidated group because taxable income exceeds the graduated income limitations.

UGI Electric is included as part of a consolidated federal income tax return with UGI Corporation. UGI Corporation allocates its consolidated income tax liability among its subsidiary members consistent with the separate return method such that each member is allocated federal income tax according to the taxable income, benefits, and burdens it contributed to the consolidated return.

Prepared by or under the supervision of: Nicole M. McKinney

UGI Utilities, Inc. - Electric Division
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II-D-20

Request:

Explain the treatment given to costs of removal in the income tax calculation and the basis for such treatment.

Response:

Cost of removal is treated as a tax deductible item as costs are incurred and/or paid pursuant to IRC Section 1.167(a)-11(d)(3) and 1.263(a)-3(g)(2).

Prepared by or under the supervision of: Nicole M. McKinney

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II-D-21

Request:

Show income tax loss/gain carryovers from previous years. Show loss/gain carryovers by years of origin and amounts remaining by years at the beginning of the test year.

Response:

Not applicable.

Prepared by or under the supervision of: Nicole M. McKinney

UGI Utilities, Inc. - Electric Division
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II-D-22

Request:

State whether the company eliminates tax savings by the payment of actual interest on construction work in progress not in rate base claim.

If response is affirmative:

- a. Set forth amount of construction claimed in this tax savings reduction, and explain the basis for this amount.
- b. Explain the manner in which the debt portion of this construction is determined for purposes of the deferral calculations.
- c. State the interest rate used to calculate interest on this construction debt portion, and the manner in which it is derived.
- d. Provide details of calculation to determine tax savings reduction, and state whether State taxes are increased to reflect the construction interest elimination.

Response:

The Company does not eliminate tax savings by the payment of interest on construction work in progress.

Prepared by or under the supervision of: Nicole M. McKinney

UGI Utilities, Inc. - Electric Division
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II-D-23

Request:

Under section 1552 of the Internal Revenue Code (26 U.S.C.A. § 1552) and 26 CFR 1.1552-1 (1983), if applicable, a parent company, in filing a consolidated income tax return for the group, must choose one of four options by which it must allocate total income tax liability of the group to the participating members to determine each member's tax liability to the Federal government (if this interrogatory is not applicable, so state):

- a. State what option has been chosen by the group.
- b. Provide, in summary form, the amount of tax liability that has been allocated to each of the participating members in the consolidated income tax return for the test year and the most recent 3 years for which data is available.
- c. Provide a schedule, in summary form, of contributions, which were determined on the basis of separate tax return calculations, made by each of the participating members to the tax liability indicated in the consolidated group tax return. Provide total amounts of actual payments to the tax depository for the tax year, as computed on the basis of separate returns of members.
- d. Provide the most recent annual income tax return for the group.
- e. Provide details of the amount of the net operating losses of any member allocated to the income tax returns of each of the members of the consolidated group for the test year and the 3 most recent years for which data is available, together with a summary of the actual tax payments for those years.
- f. Provide details of the amount of net negative income taxes, after all tax credits are accounted for, of any member allocated to the income tax return of each of the members of the consolidated group for the test year and the 3 most recent years for which data is available, together with a summary of the actual tax payments for those years.

Response:

- a. UGI Corporation has elected to allocate the tax liability of the consolidated group to the members in accordance with Regulation 1.1502-33 (d)(2)(ii). Further, the

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II-D-23 (Continued)

group elects to use 100 percent as the percentage specified in Regulation 1.1502-33(d)(2)(ii)(b). This method of allocation is to be applied in conjunction with the basic allocation method provided in Regulation 1.1552-1(a)(2).

UGI Corporation also elected to reflect currently the investment adjustment in earnings and profits pursuant to Regulation 1.1502-33(c)(4)(iii).

- b. Please see Attachment II-D-23.b. The federal income tax return for the historic test year, September 30, 2020, has not been prepared; therefore, information has been provided for the years ended September 30, 2017 through September 30, 2019.
- c. UGI Corporation ("UGI Corp") is the parent company of the UGI consolidated group that includes UGI Electric as a division of UGI Utilities, Inc. UGI Corp makes all necessary income tax payments to the IRS for the net tax liability that is due for its consolidated group. Further, UGI Corp collects the allocated tax liability from members of its group with positive taxable income and reimburses members of its group with a negative federal income tax allocation. The amounts UGI Corp collects or pays to each member of its group are the amounts listed on Attachment II-D-23.b.
- d. The response to this question contains confidential information and is marked as such. This information will be provided to parties upon execution of a Confidentiality Agreement, to be circulated by the Company, pursuant to the terms of that agreement.
- e. Please see Attachment II-D-23.b.
- f. Please see Attachment II-D-23.b.

Prepared by or under the supervision of: Nicole M. McKinney

UGI Utilities, Inc. - Electric Division
Allocation of UGI Corporation Consolidated Federal Income Tax Liability
For the Year Ended September 30, 2019
In Thousands

<u>Name of Company</u>	(a)	(b)	(c)	(d)	(e)
	Federal Taxable Income	Federal Income Tax @ 21% Allocated	Foreign Tax Credit	General Business Credit	Col (b) - Col (c) - Col (d) = Net Federal Income Tax Liability
AmeriGas Inc	(26)	(5)			(5)
AmeriGas Propane Inc.	93,880	19,715			19,715
AmeriGas Propane Holdings, Inc.	90	19			19
Amerigas Technology Group Inc.	0	0			0
Ashtola Production Company	(1)	0			0
Eastfield International Holdings Inc	0	0			0
Energy Service Funding	5,062	1,063			1,063
EuroGas Holdings Inc.	0	0			0
Four Flags Drilling Company	0	0			0
Hellertown Pipeline	0	0			0
Homestead Holding	(273)	(57)			(57)
Newberry Holding	3,253	683			683
Petrolane Incorporated	0	0			0
UGI Asset Management	0	0			0
UGI Black Sea Enterprises	0	0			0
UGI Central Penn Gas	0	0			0
UGI China Inc	0	0			0
UGI Corporation	37,610	7,898			7,898
UGI Development Company	(5,924)	(1,244)		158	(1,402)
UGI Energy Ventures, Inc.	0	0			0
UGI Ethanol Development Company	0	0			0
UGI Enterprises Inc	0	0			0
UGI Europe Inc	35,767	7,511	5,905		1,606
UGI Hunlock Dev	0	0			0
UGI HVAC Enterprises	(305)	(64)			(64)
UGI International China, Inc	0	0			0
UGI International (Romania)	0	0			0
UGI International Enterprises, Inc.	0	0			0
UGI LNG	5,530	1,161			1,161
UGI Penn HVAC Services	3	1			1
UGI Penn Natural Gas, Inc.	0	0			0
UGI Petroleum Products of DE	0	0			0
UGI Properties, Inc.	245	51			51
UGI Storage Company	4,465	938			938
UGI Utilities, Inc.	57,929	12,165			12,165
UGID Holding Company	(8)	(2)			(2)
United Valley Insurance	(751)	(158)			(158)
Adjustments	6,510	1,367			1,367
Total	243,056	51,042	5,905	158	44,980

UGI Utilities, Inc. - Electric Division
Allocation of UGI Corporation Consolidated Federal Income Tax Liability
For the Year Ended September 30, 2018
In Thousands

<u>Name of Company</u>	(a)	(b)	(c)	(d)	(e)
	Federal Taxable Income	Federal Income Tax @ 24.53% Allocated₁	IRC 965 Tax	General Business Credit	Col (b) - Col (c) - Col (d) = Net Federal Income Tax Liability
AmeriGas Inc	(26)	(6)			(6)
AmeriGas Propane Inc.	61,224	15,018			15,018
Amerigas Technology Group Inc.	0	0			0
Ashtola Production Company	(1)	0			0
Eastfield International Holdings Inc	0	0			0
Energy Service Funding	4,782	1,173			1,173
EuroGas Holdings Inc.	0	0			0
Four Flags Drilling Company	0	0			0
Hellertown Pipeline	0	0			0
Homestead Holding	(155)	(38)			(38)
Newberry Holding	2,660	653			653
Petrolane Incorporated	0	0			0
UGI Asset Management	0	0			0
UGI Black Sea Enterprises	0	0			0
UGI Central Penn Gas	17,499	4,292			4,292
UGI China Inc	0	0			0
UGI Corporation	27,142	6,658	2,881		9,539
UGI Development Company	1,259	309		751	(442)
UGI Energy Ventures, Inc.	0	0			0
UGI Ethanol Development Company	0	0			0
UGI Enterprises Inc	0	0			0
UGI Europe Inc	5,218	1,280			1,280
UGI Hunlock Dev	(90)	(22)			(22)
UGI HVAC Enterprises	(893)	(219)			(219)
UGI International China, Inc	0	0			0
UGI International (Romania)	0	0			0
UGI International Enterprises, Inc.	0	0			0
UGI LNG	4,792	1,175			1,175
UGI Penn HVAC Services	(16)	(4)			(4)
UGI Penn Natural Gas, Inc.	(76,855)	(18,854)			(18,854)
UGI Petroleum Products of DE	0	0			0
UGI Properties, Inc.	(99)	(24)			(24)
UGI Storage Company	5,903	1,448			1,448
UGI Utilities, Inc.	(31,366)	(7,694)			(7,694)
UGID Holding Company	(7)	(2)			(2)
United Valley Insurance	(239)	(59)			(59)
Eliminations	0	0			0
Total	20,732	5,085	2,881	751	7,215

UGI Utilities, Inc. - Electric Division
Allocation of UGI Corporation Consolidated Federal Income Tax Liability
For the Year Ended September 30, 2017
In Thousands

<u>Name of Company</u>	(a)	(b)	(c)	(d)	(e)
	Federal Taxable Income	Federal Income Tax @ 35% Allocated	Foreign Tax Credit	General Business Credit	Col (b) - Col (c) - Col (d) = Net Federal Income Tax Liability
AmeriGas Inc	(32)	(11)			(11)
AmeriGas Propane Inc.	50,831	17,791			17,791
Amerigas Technology Group Inc.	0	0			0
Ashtola Production Company	(1)	0			0
Eastfield International Holdings Inc	0	0			0
Energy Service Funding	3,730	1,306			1,306
EuroGas Holdings Inc.	0	0			0
Four Flags Drilling Company	0	0			0
Hellertown Pipeline	0	0			0
Homestead Holding	(199)	(70)			(70)
Newberry Holding	1,450	507			507
Petrolane Incorporated	0	0			0
UGI Asset Management	0	0			0
UGI Black Sea Enterprises	0	0			0
UGI Central Penn Gas	13,958	4,885			4,885
UGI China Inc	967	338			338
UGI Corporation	(8,138)	(2,848)			(2,848)
UGI Development Company	259	91		25	66
UGI Energy Ventures, Inc.	0	0			0
UGI Ethanol Development Company	0	0			0
UGI Enterprises Inc	(18,583)	(6,504)			(6,504)
UGI Europe Inc	101,813	35,634	39,236		(3,602)
UGI Hunlock Dev	0	0			0
UGI HVAC Enterprises	(541)	(189)			(189)
UGI International China, Inc	(199)	(70)			(70)
UGI International (Romania)	0	0			0
UGI International Enterprises, Inc.	0	0			0
UGI LNG	4,941	1,729			1,729
UGI Penn HVAC Services	(226)	(79)			(79)
UGI Penn Natural Gas, Inc.	(10,532)	(3,686)			(3,686)
UGI Petroleum Products of DE	0	0			0
UGI Properties, Inc.	347	121			121
UGI Storage Company	5,646	1,976			1,976
UGI Utilities, Inc.	(35,938)	(12,578)			(12,578)
UGID Holding Company	(8)	(3)			(3)
United Valley Insurance	2,415	845			845
Eliminations	213	75			75
Total	112,174	39,261	39,236	25	0

UGI Utilities, Inc. - Electric Division
Docket No. R-2021-3023618
UGI Electric 2021 Base Rate Case
Responses to Section 53.53 - II-D - Income Statement Supporting Schedules
Delivered on February 8, 2021

II-D-24

Request:

Provide detailed computations by vintage year showing State and Federal deferred income taxes resulting from the use of accelerated tax depreciation associated with post-1969 public utility property, ADR rates, and accelerated tax depreciation associated with post-1980 public utility property under the Accelerated Cost Recovery System (ACRS).

- a. Reconcile and explain any differences in the base used to calculate State and Federal deferred income taxes.
- b. State whether tax depreciation is based on all rate base items claimed as of the end of the test year, and whether it is the annual tax depreciation at the end of the test year.
- c. Reconcile differences between the deferred tax balance, as shown as a reduction to rate base, and the deferred tax balance as shown on the balance sheet.

Response:

See Schedules D-33 and D-34 in UGI Electric Exhibit A (Historic), UGI Electric Exhibit A (Future), and UGI Electric Exhibit A (Fully Projected) for the computation of federal and state deferred income taxes.

- a. Not applicable.
- b. Tax depreciation subject to normalization is based on depreciable property as of the end of the test year. Further, tax depreciation is annualized as of the end of the test year period.
- c. The accumulated deferred tax balance, as shown as a reduction to measures of value, represents the annualized balance based on the plant in service included in the measures of value. The balance sheet represents the budgeted balance.

UGI Utilities, Inc. - Electric Division
Docket No. R-2021-3023618
UGI Electric 2021 Base Rate Case
Responses to Section 53.53 - II-D - Income Statement Supporting Schedules
Delivered on February 8, 2021

II-D-25

Request:

Submit a schedule showing a breakdown of accumulated and unamortized investment tax credits, by vintage year and percentage rate, together with calculations supporting the amortized amount claimed as a reduction to pro forma income taxes. Provide details of methods used to write-off the unamortized balances.

Response:

Not applicable.

Prepared by or under the supervision of: Nicole M. McKinney

UGI Utilities, Inc. - Electric Division
Docket No. R-2021-3023618
UGI Electric 2021 Base Rate Case
Responses to Section 53.53 - II-D - Income Statement Supporting Schedules
Delivered on February 8, 2021

II-D-26

Request:

Explain in detail by statement or exhibit the appropriateness of claiming any additional items, not otherwise specifically explained and supported in the statement of operating income.

Response:

Please see Section D of UGI Electric Exhibit A (Historic), UGI Electric Exhibit A (Future), UGI Electric Exhibit A (Fully Projected), and the Direct Testimony of Stephen F. Anzaldo, UGI Electric Statement No. 2, for an explanation and detail of the Company's claim for additional operating income items.

Prepared by or under the supervision of: Stephen F. Anzaldo

UGI Utilities, Inc. - Electric Division
Docket No. R-2021-3023618
UGI Electric 2021 Base Rate Case
Responses to Section 53.53 - II-D - Income Statement Supporting Schedules
Delivered on February 8, 2021

II-D-27

Request:

If the utility's operations include non-jurisdictional activities, provide a schedule which demonstrates the manner in which rate base and operating income date have been adjusted to develop the jurisdictional test year claim.

Response:

This rate filing is presented on a PUC jurisdictional basis only. Total system rate base and components of operating income have been assigned and/or allocated between FERC and PUC jurisdictions and the proposed revenue increase has been determined on a PUC jurisdictional basis only. Please also see the Direct Testimony of Stephen F. Anzaldo, UGI Electric Statement No. 2, and the Direct Testimony of John D. Taylor, UGI Electric Statement No. 6.

Prepared by or under the supervision of: Stephen F. Anzaldo

UGI Utilities, Inc. - Electric Division
Docket No. R-2021-3023618
UGI Electric 2021 Base Rate Case
Responses to Section 53.53 - II-E - Budgeted Data
Delivered on February 8, 2021

II-E-1

Request:

Supply a copy of any budget utilized as a basis for any test year claim, and explain the utility's budgeting process.

Response:

Please refer to the Direct Testimony of Stephen F. Anzaldo, UGI Electric Statement No. 2, for an explanation of the Company's budgeting process, as well as Exhibit SFA-2, pages 1 through 3 which provide a summary of the operating budgets utilized as the basis for UGI Electric's Fully Projected Future Test Year, Future Test Year and Historic Test Year claims on a Pennsylvania Jurisdictional basis.

Prepared by or under the supervision of: Stephen F. Anzaldo

UGI Utilities, Inc. - Electric Division
Docket No. R-2021-3023618
UGI Electric 2021 Base Rate Case
Responses to Section 53.53 - II-E - Budgeted Data
Delivered on February 8, 2021

II-E-2

Request:

Supply summaries of the utility's projected operating and capital budgets for the 2 calendar years following the end of the test year.

Response:

UGI Electric does not prepare projected operating and capital budgets for the two calendar years following the end of the Fully Projected Future Test Year.

Prepared by or under the supervision of: Eric W. Sorber

**INDEX OF CONTENTS ON
USB FLASH DRIVE**

**UGI UTILITIES, INC. – ELECTRIC DIVISION
2021 BASE RATE CASE
DOCKET NO. R-2021-3023618**

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