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December 12, 2013

VIA HAND DELIVERY

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

Re: Petition of UGI Utilities, Inc. - Gas Division for Approval of its Long Term Infrastructure Improvement Plan - Docket No. P-2013-

Dear Secretary Chiavetta:

Enclosed for filing is the Petition of UGI Utilities, Inc. – Gas Division for Approval of its Long Term Infrastructure Improvement Plan. Copies will be provided as indicated on the Certificate of Service.

Respectfully submitted,

David B. MacGregor

DBM/jl

Enclosures

- cc: Certificate of Service
Honorable Robert F. Powelson (via Hand Delivery)
Honorable Pamela A. Witmer (via Hand Delivery)
Honorable John F. Coleman, Jr. (via Hand Delivery)
Honorable James H. Cawley (via Hand Delivery)
Honorable Gladys M. Brown (via Hand Delivery)
Bohdan Pankiw, Esquire (via Hand Delivery)
Paul T. Diskin (via Hand Delivery)
✓ Erin Laudenslager (via Hand Delivery)

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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

DEC 12 2013

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

Petition of UGI Utilities, Inc. – Gas :
Division for Approval of its Long Term : Docket No. P-2013-_____
Infrastructure Improvement Plan :

**Petition of UGI Utilities, Inc. – Gas Division for Approval of its
Long-Term Infrastructure Improvement Plan**

Pursuant to Act 11 of 2012 (“Act 11” or the “Act”), which amends Chapters 3, 13 and 33 of the Pennsylvania Public Utility Code (“Code”), UGI Utilities, Inc. – Gas Division (“UGI-GD” or the “Company”) hereby files this Petition seeking approval of its Long-Term Infrastructure Improvement Plan (“LTIIIP” or “Plan”). This filing is being made pursuant to the Final Implementation Order of the Pennsylvania Public Utility Commission (the “Commission”) entered at Docket No. M-2012-2293611 on August 2, 2012.¹ UGI-GD has undertaken a significant distribution system evaluation, repair, improvement and replacement program that is focused primarily on those portions of its system that were constructed using cast iron and bare steel pipe. As described in its LTIIIP, UGI-GD will continue this process, as well as eventually expanding replacement to other portions of its distribution system. The process is described below and in further detail in the LTIIIP.²

By this Petition, the Company respectfully requests that the Commission approve UGI-GD’s Long-Term Infrastructure Improvement Plan, which is attached as Exhibit A.

¹ *Implementation of Act 11 of 2012*, Docket No. M-2012-2293611 (Pa. Pub. Util. Comm’n Aug. 2, 2012) (“Final Implementation Order”).

² Concurrent with the filing of UGI-GD’s LTIIIP, UGI Penn Natural Gas, Inc. (“UGI-PNG”) and UGI Central Penn Gas, Inc. (“UGI-CPG”) are both filing LTIIIP Petitions. In addition, UGI-PNG and UGI-CPG are also filing DSIC petitions.

I. INTRODUCTION

1. UGI-GD is a corporation organized and existing under the laws of the Commonwealth of Pennsylvania. UGI-GD is engaged in the business of selling and distributing natural gas to retail customers within the Commonwealth, and is therefore a “public utility” within the meaning of Section 102 of the Public Utility Code, 66 Pa. C.S. § 102, subject to the regulatory jurisdiction of the Commission. As of September 30, 2012, UGI-GD provides natural gas service to approximately 356,000 customers in and around Eastern and Central Pennsylvania, pursuant to certificates of public convenience granted by the Commission. Its system contains approximately 5,423 miles of natural gas distribution mains and 117 miles of natural gas transmission mains as of December 31, 2012.

2. UGI-GD is a wholly owned subsidiary of UGI Utilities, Inc. (“UGI Utilities”), which, in turn, is a wholly owned subsidiary of UGI Corporation.

3. UGI Utilities operates two Commission-regulated divisions, including a natural gas distribution operation, UGI-GD and an electric distribution operation, UGI Utilities – Electric Division and it wholly owns two Commission-regulated natural gas distribution companies, UGI Penn Natural Gas, Inc. (“UGI-PNG”) and UGI Central Penn Gas (“UGI-CPG”) which were separately acquired by UGI Utilities within the last decade and operate under the shared executive management of UGI-GD. Hereinafter, UGI-GD, UGI-PNG and UGI-CPG shall be referred to collectively as the “UGI Distribution Companies.”

4. The names, addresses and telephone numbers of UGI-GD’s attorneys for purposes of this filing are as follows:

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UGI-GD's attorneys are authorized to receive all notices and communications regarding this filing.

5. On February 14, 2012, Governor Corbett signed into law Act 11 of 2012 ("Act 11"), which amends Chapters 3, 13 and 33 of Title 66 of the Code. Pertinent to this Petition, Act 11 authorizes natural gas distribution companies ("NGDCs") to establish a DSIC.

6. Act 11 provides utilities with the ability to implement a DSIC to recover reasonable and prudent costs incurred to repair, improve or replace certain eligible distribution property that is part of the utility's distribution system. Eligible property for NGDCs is defined in Section 1351 of the statute. *See* 66 Pa. C.S. § 1351(2). As a precondition to the implementation of a DSIC, each utility must file an LTIP with the Commission that is consistent with the provisions of Section 1352 of the statute. *See* 66 Pa. C.S. § 1352(a).

7. On May 11, 2012, the Commission issued its Tentative Implementation Order, and solicited comments and input. The UGI Distribution Companies collectively responded to the Commission's request and filed comments on the Tentative Implementation Order on May 31, 2012.

8. On August 2, 2012, the Commission issued the Final Implementation Order establishing procedures and guidelines necessary to implement Act 11. The Final Implementation Order adopted the requirements established in Section 1352, provided additional standards that each LTIIP must meet, and gave guidance to utilities for meeting the Commission's standards.

9. Specifically, on pages 12 and 18 of the Final Implementation Order, the Commission provided that the LTIIP must include the following seven major elements:

- (a) Types and age of eligible property;
- (b) Schedule for its planned repair and replacement;
- (c) Location of the eligible property;
- (d) Reasonable estimate of the quantity of property to be improved;
- (e) Projected annual expenditures and measures to ensure that plan is cost effective;
- (f) Manner in which replacement of aging infrastructure will be accelerated and how repair, improvement or replacement will maintain safe and reliable service; and
- (g) A workforce management and training program.

10. UGI-GD's LTIIP addresses each of the elements listed in the Commission's Final Implementation Order, as summarized in this Petition.

II. UGI-GD'S LONG TERM INFRASTRUCTURE IMPROVEMENT PLAN

A. BACKGROUND

11. In accordance with the Commission's Final Implementation Order and the statute, UGI-GD's LTIIP includes only distribution plant that is DSIC eligible. *Final Implementation Order* at 18. UGI-GD has been identifying and repairing, improving, or replacing its distribution infrastructure on an accelerated basis, consistent with its obligations under the Settlement

Agreement approved by the Pennsylvania Public Utility Commission at Docket No. C-2012-2308997 (“Settlement Agreement”). UGI-GD’s LTIIP embraces the pre-existing process that UGI-GD has been using to accelerate replacement of its distribution infrastructure.

12. UGI-GD’s infrastructure replacement program will allow the Company to continue to provide safe and reliable service into the future. These replacements will make the system safer, more reliable, and easier to operate. UGI-GD will install additional new safety devices in areas to be upgraded. This includes excess flow valves, which will shut off gas to a residence or business in the event of a large pressure differential, which is typically indicative of a major gas leak or a service damaged by excavation. The DSIC will allow UGI-GD to remove aging portions of its system and enhance the safety of its system by ensuring replacement of facilities with new, longer lasting and safer materials. As a result, the public will receive improved service, with decreased risk of service disruption.

B. TYPES AND AGE OF ELIGIBLE PROPERTY

13. Construction materials used for natural gas pipelines have evolved dramatically since the first pipelines in UGI-GD’s system were constructed, and many of the legacy materials and methods used for constructing pipelines have subsequently been found to have a greater likelihood of requiring replacement as they age. In the oldest portions of UGI-GD’s system, cast iron was used because at the time of construction it was considered relatively strong and easy to install. Cast iron, however, is vulnerable to breakage from ground movement. As a result, the industry transitioned to bare steel and wrought iron piping, which was popular until the 1960s. In addition, a significant portion of UGI-GD’s system is composed of bare steel. Bare steel is subject to corrosion. Finally, as the industry moved to the use of plastic piping starting in the 1970s, certain plastic materials used early in the process have shown a vulnerability to stress propagation cracking.

14. In addition to replacement of first generation mains made out of the three identified materials, as part of its infrastructure upgrade UGI-GD will be replacing associated distribution equipment and installing additional safety and monitoring equipment that is compatible with the upgraded design. UGI-GD will install excess flow valves, will replace and potentially relocate meters, and will replace risers, meter bars, regulator stations and service regulators. All of the facilities included in UGI-GD's LTIP are considered "eligible property" under Section 1351(2).

C. SCHEDULE FOR REPAIR AND REPLACEMENT

15. UGI-GD's schedule for distribution infrastructure improvement is set forth on pages 18 to 22 of its LTIP. UGI-GD anticipates replacing of all of its approximately 347 miles of cast iron pipelines over a 13-year period ending in February 2027. The Company will also replace all of its approximately 392 miles of bare steel and wrought iron pipelines over a 28-year period ending September 2041. In addition to its mains, UGI-GD will replace gas service lines on a planned basis in conjunction with the replacement of the mains to which they are connected. At the time of service line replacement, inside meters will be replaced and moved outside wherever practical to better facilitate company access. Meters already located outside will be replaced, if it is appropriate to do so. Further, as discussed previously, excess flow valves, which are safety devices that interrupt the flow of gas if a service line is severed, will be installed on all new and replacement service lines serving single family homes. In addition, regulators will be installed and risers and meter bars will be replaced in concert with the service line replacements. The quantities of the latter facilities will be reflective of the number of service line replacements.

D. LOCATION OF ELIGIBLE PROPERTY

16. Mains manufactured using the identified materials are located throughout the 16 counties that make up UGI-GD's certificated service territory in Eastern and Central Pennsylvania. A map showing these locations is provided on pages 22 and 23 of the LTIP.

E. QUANTITY OF PROPERTY TO BE IMPROVED

17. The total estimated quantity of property to be improved on UGI-GD's distribution system over the life of the Plan is described on pages 23 through 25 of its LTIP.

18. UGI-GD's primary focus in its accelerated main replacement program, utilizing the prioritization factors identified in its LTIP, is replacing its cast iron and bare steel pipe which are most susceptible to failure from corrosion, cracks and leakage. If other facilities are located adjacent to the project that are prone to fail, such as unprotected coated steel pipe, ineffectively coated steel pipe, plastic pipe, etc., those facilities will also be replaced.

19. In addition to the replacement of mains, UGI-GD also anticipates replacing other associated eligible facilities as described in its LTIP.

F. PROJECTED ANNUAL EXPENDITURES AND MEASURES TO ENSURE THAT THE PLAN IS COST EFFECTIVE

20. UGI-GD's projected annual budget is presented on page 25 of its LTIP. UGI-GD's projected annual investments in distribution infrastructure replacement will be approximately \$51.2 million beginning in fiscal year 2014.

21. UGI-GD reassesses its system, and projects are reprioritized each year based on the most current data available. As such, the list of distribution improvement projects is a dynamic roster that is subject to modification based on emerging conditions. UGI-GD maximizes efficiencies and minimizes costs by addressing large segments of the system, and carrying out replacements on a planned, systemic basis. This process ensures effective use of

resources and minimizes disruption to the customers and municipalities that UGI-GD serves. In assessing the highest risk pipe segments, a team of Subject Matter Experts reviews the results generated by evaluation software. This ensures that UGI-GD is targeting the highest risk pipe while maximizing the efficient use of its capital and resources.

22. The following processes are in place to increase cost-effectiveness: (1) a competitively-bid, multi-year pipeline construction contract designed to attract new, qualified contractors; (2) special craft bids for large projects; (3) analyzing costs between separate contractors' established annual construction prices on a project-by-project level; and (4) evaluating and implementing new technology to decrease costs, such as directional drilling and insertion over traditional direct burial and core bore service replacement.

23. In order to increase construction efficiency in a way that maximizes the effectiveness of replacement capital, efforts shall be made to group planned replacement projects with others in a geographic region. Such an approach reduces costs associated with mobilization, materials delivery and stockpiling, and also improves inspection efficiency. Geographic planning of projects should occur prior to the start of each fiscal year in order to consider and encompass all planned replacements for the year. In particular, UGI-GD will coordinate with the Pennsylvania Department of Transportation and local municipalities to time main replacement projects with road projects where possible. This will reduce costs, as well as reducing the inconvenience to local communities.

G. ACCELERATED REPLACEMENT

24. In its Final Implementation Order, the Commission noted that utilities should reflect and maintain an acceleration of infrastructure replacement. The Commission also noted that some utilities have already taken substantial steps towards increasing capital investment to address the issue of aging infrastructure. For those utilities, the Commission requested that the

LTIIIP “reflect how the DSIC will maintain or augment acceleration of infrastructure replacement and prudent capital investment.” *Final Implementation Order* at 19.

25. The UGI Distribution Companies have already accelerated capital investment in infrastructure replacement as a result of the commitments made in the Settlement Agreement. Total DSIC eligible spending for the three UGI Distribution Companies, as reflected in the LTIIIPs being filed with the Commission, shows that the Companies have increased their capital spending by \$38.5 million, or 76%, over the baseline period. This investment acceleration relates to a 17% increase in the amount of cast iron and bare steel main replaced. Similarly, this reflects an overall increase in pipeline replacement from 53.2 miles per year during the baseline period to 62 miles per year during the period covered by the LTIIIP.

26. As described in the LTIIIP, the initial focus will be on replacement of cast iron pipeline. Between the three utilities, UGI-GD has the most cast iron pipeline. UGI-GD has the least cast iron pipeline. Thus, in this first phase of the LTIIIP, UGI-GD and UGI-GD will show a greater acceleration in capital spending, which reflects UGI Distribution Companies’ focus on its commitment to remove all cast iron pipeline from its system within 13 years. As each utility has less cast iron that must be replaced, and as the focus shifts to a greater emphasis on bare steel, it is anticipated that this will have an impact on the acceleration reflected between the three UGI Distribution Companies. However, it is readily apparent from this filing that, in total, the UGI Distribution Companies have shown significant acceleration over baseline investment.

27. Focusing specifically on UGI-GD, over the baseline period of 2009 through 2011, UGI-GD invested approximately \$26.1 million annually on repairing and replacing its distribution infrastructure. For the five year period reflected in the LTIIIP, the Company has committed to a significant increase in capital investments, totaling approximately \$51.2 million

per year. This reflects an acceleration in spending of 96% over the baseline period. UGI-GD has clearly shown that it has accelerated its infrastructure replacement, consistent with the Commission's Final Implementation Order.

28. UGI-GD believes that replacement of aging distribution equipment and facilities will reduce the number of leaks on its system, allow it to install additional safety mechanisms, and will generally improve service to its customers.

H. WORKFORCE MANAGEMENT AND TRAINING PROGRAM

29. The Commission's Final Implementation Order requires utilities to include a workforce management and training plan as part of their LTIP. *Final Implementation Order* at 17-18. A description of UGI-GD's workforce management and training plans are found on pages 34 through 35 of its LTIP. UGI-GD's workforce is comprised of both employees who work directly for UGI-GD, and workers hired by contractors of UGI-GD. UGI-GD utilizes a wide variety of programs to ensure that it has a qualified workforce.

30. The UGI Distribution Companies conduct an Operator Qualification Program, ensuring that personnel performing critical tasks on all pipeline facilities have the necessary knowledge, skills and abilities. This program includes more than 120 identified tasks, with many sub-parts within tasks, requiring extensive training, testing and qualification verification. Further, field technicians complete a comprehensive safety course, and UGI has a compliance department dedicated to inspecting construction activities regularly and verifying the qualifications of individuals performing operator qualified tasks.

31. UGI also currently utilizes employee inspectors to inspect natural gas distribution facility projects constructed by contractor crews, which provides an additional level of safety. In addition, UGI requires its pipeline contractors to meet all Department of Transportation mandated code and operator qualification requirements and pass a rigorous review.

32. It also is anticipated that the UGI Distribution Companies will hire incremental managers, supervisors, engineers, project managers, inspectors, and contractors in order to accelerate the replacement of the facilities listed in the LTIP. Currently, the UGI Distribution Companies have hired outside engineering resources to assist in managing workload as needed.

33. The UGI Distribution Companies have also allied themselves with universities and post-secondary technical schools to serve as resources in responding to this pending staffing need. Moreover, the UGI Distribution Companies are engaged in developing plans to recruit qualified individuals able to serve in Construction & Maintenance, Utility, Mechanic, and Technician positions.

III. EVIDENTIARY HEARINGS


34. Neither Act 11 nor the Commission's Final Implementation Order requires hearings on LTIPs. The Final Implementation Order provides that comments to the plans are to be filed within 20 days of the proposed LTIP, and that comments that raise material factual issues will result in the LTIP being referred to the Office of Administrative Law Judge. Therefore, it is not clear whether the Company's Plan will be subject to evidentiary hearings. If UGI-GD's Plan is set for hearings, the Company will file, in advance of the prehearing conference, written direct testimony to more fully explain how the Plan was developed, and how it meets the requirements outlined in the Commission's Final Implementation Order.

35. Pursuant to the Commission's Final Implementation Order, UGI-GD is serving its LTIP on the statutory advocates.

IV. CONCLUSION

WHEREFORE, UGI Utilities, Inc. – Gas Division respectfully requests that the Pennsylvania Public Utility Commission find that its Long-Term Infrastructure Improvement Plan contains all necessary items identified in 66 Pa. C.S. § 1352 and addresses only distribution property which is DSIC-eligible, as defined by 66 Pa. C.S. § 1351(2), and that the Pennsylvania Public Utility Commission approve the Company's Long-Term Infrastructure Improvement Plan.

Respectfully submitted,



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Of Counsel:

Post & Schell, P.C.


Attorneys for UGI Utilities, Inc. – Gas Division

Date: December 12, 2013

VERIFICATION

I, Paul J. Szykman, Vice President, Rates, of UGI Utilities, Inc., hereby state that the facts above set forth are true and correct to the best of my knowledge, information and belief and that I expect that UGI Utilities, Inc. – Gas Division to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa. C.S. § 4904 relating to unsworn falsification to authorities.

Date: December 12, 2013



Paul J. Szykman
Vice President, Rates
UGI Utilities, Inc.
2525 N. 12th Street
Reading, PA 19612-2677

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UGI Utilities Inc. -
Gas Division

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Long Term
Infrastructure Improvement
Plan
2014-2018

December 12, 2013

Introduction

UGI Utilities, Inc. – Gas Division (“UGI-GD” or the “Company”) respectfully submits this Long-Term Infrastructure Improvement Plan (“LTIP” or “Plan”) for the approval of the Pennsylvania Public Utility Commission (“Commission”) in accordance with the requirements of 66 Pa. C.S. § 1352(a) and the Commission’s Final Implementation Order, entered August 2, 2012, at Docket M-2012-2293611 (“Final Implementation Order”). As approved by the Commission, the UGI-GD LTIP shall serve to guide the Company’s accelerated infrastructure repair, improvement and replacement activities for the five year period 2014 through 2018 for its natural gas transmission and distribution facilities used in providing natural gas service to its customers located within the UGI-GD service territory.

The UGI-GD LTIP is being filed simultaneously with the LTIPs of UGI Penn Natural Gas (“UGI-PNG”) and UGI Central Penn Gas, Inc. (“UGI-CPG”). Hereinafter, UGI-GD, UGI-PNG and UGI-CPG shall be referred to collectively as the “UGI Distribution Companies.” Each company’s LTIP incorporates the joint facility replacement and betterment program of the UGI Distribution Companies. In addition, UGI-CPG and UGI-PNG are filing petitions for approval of a Distribution System Improvement Charge (“DSIC”) to accompany their LTIP petitions. UGI-GD is not filing a DSIC petition at this time.

The UGI-GD LTIIIP is structured to address the six specific factors set forth in the Commission's Final Implementation Order. Accordingly, this LTIIIP includes the following sections:

- (1) Identification of the types and age of eligible property owned or operated by the utility for which the utility would seek recovery;
- (2) An initial schedule for the planned repair and replacement of eligible property;
- (3) A general description of the location of the eligible property;
- (4) A reasonable estimate of the quantity of eligible property to be improved;
- (5) Projected annual expenditures to implement the plan and measures taken to ensure that the plan is cost effective; and
- (6) The manner in which the replacement of aging infrastructure will be accelerated and how the repair, improvement or replacement will ensure and maintain adequate, efficient, safe, reliable and reasonable service.

UGI-GD will address each section in more detail below. Additionally, the Company will provide certain information about maintaining a qualified work force, as identified by the Commission in the Final Implementation Order.

Corporate Background

UGI Utilities, Inc. (“UGI Utilities”) is the wholly owned, utility subsidiary of UGI Corporation. It operates two regulated divisions encompassing a natural gas distribution operation, UGI-GD, and an electric distribution operation, UGI Utilities – Electric Division (“UGI-ED”). It also wholly owns two natural gas distribution companies, UGI-PNG and UGI-CPG, which were separately acquired by UGI Utilities within the last decade and operate under the shared executive management of UGI-GD. UGI-PNG began operations as a wholly owned subsidiary of UGI Utilities on September 1, 2006, through an acquisition of the assets from Southern Union Company.¹ UGI-CPG began operations as the wholly-owned subsidiary of UGI Utilities on October 1, 2008, via an acquisition of the stock of PPL Gas Utilities Corporation.²

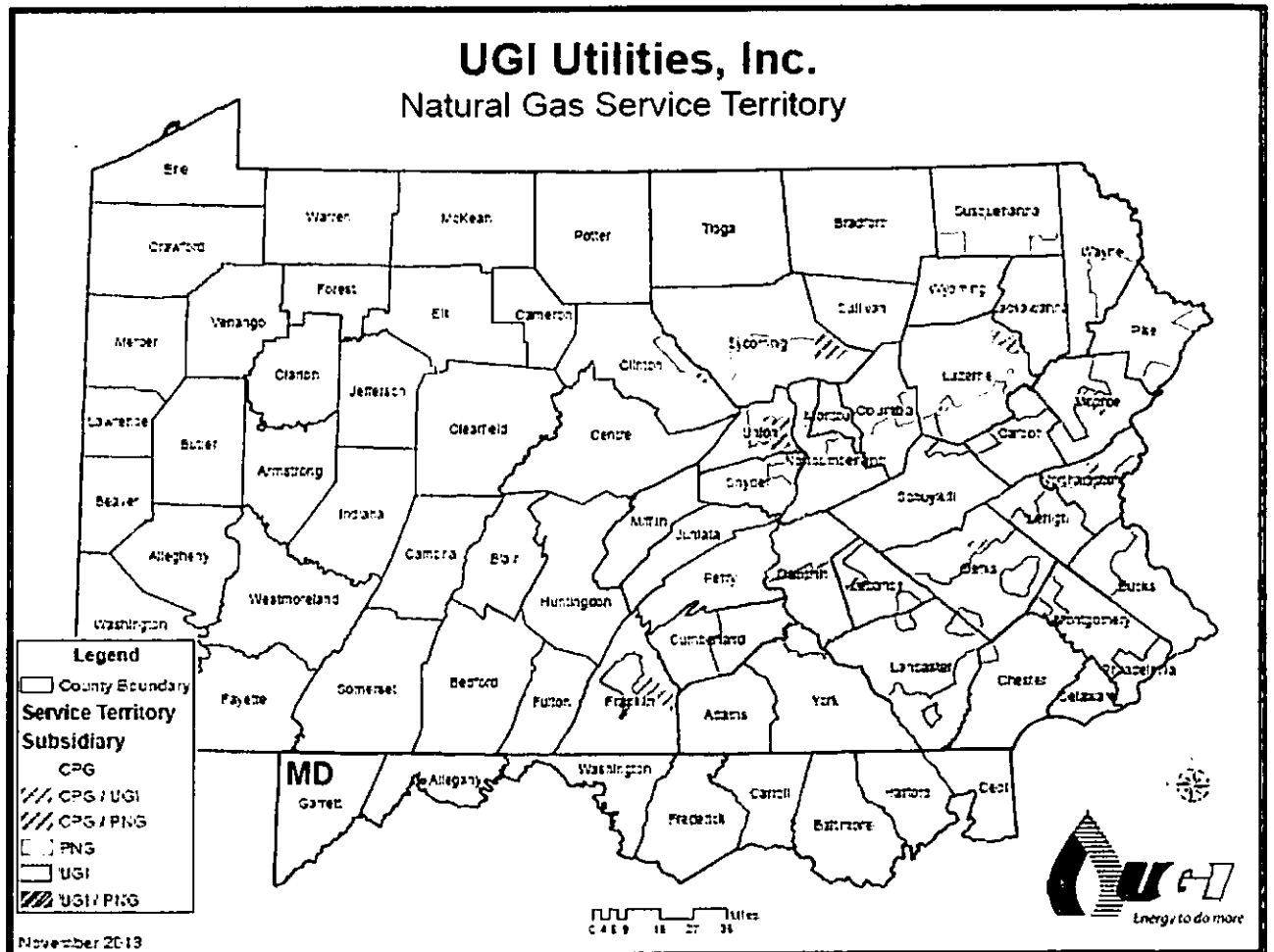
The UGI Distribution Companies serve approximately 600,000 residential, commercial and industrial natural gas customers located in 45 of Pennsylvania’s total 67 counties and spanning more than 700 municipalities. As shown in the map below, the service territories of the UGI Distribution Companies include the following cities: Allentown,

¹ In an Opinion and Order entered on August 18, 2006 at Docket Nos. A-120011F2000, A-125146F5000 and A-125146, the Commission, among other things, authorized UGI-PNG to: (1) become a wholly-owned subsidiary of UGI Utilities; (2) receive the gas distribution assets of the PG Energy Division of Southern Union Company; and (3) commence the provision of natural gas distribution service to the approximately 160,000 customers previously served by PG Energy in thirteen counties in northeastern Pennsylvania.

² In an Opinion and Order entered on August 21, 2008 at Docket Nos. A-2008-2034045, A-2008-2034047, A-2008-2034115 and A-2008-2034132, the Commission, among other things: (1) authorized UGI-CPG (formerly known as PPL Gas Utilities Corporation) to become a wholly owned subsidiary of UGI Utilities; and (2) affirmed CPG’s right to render natural gas distribution service to customers residing in numerous municipalities located in 35 counties in Pennsylvania.

Bethlehem, Easton, Harrisburg, Hazleton, Lancaster, Lebanon, Reading, Scranton, Wilkes-Barre, Lock Haven, Pittston, Pottsville, and Williamsport.

Figure 1. Map of UGI Distribution Companies' Service Territories



UGI-GD, UGI-PNG and UGI-CPG each is a “public utility” and a “natural gas distribution company,” as such terms are defined under the Public Utility Code, 66 Pa.C.S. §§ 102 and 2202, subject to the Commission’s regulatory jurisdiction. Each company renders natural gas distribution and purchase gas cost service to customers

pursuant to their individual Commission-approved tariffs and certificate authorities. Together, the UGI Distribution Companies operate approximately 12,000 miles of natural gas mains in the Commonwealth of Pennsylvania.

More specifically, as of September 30, 2013, UGI-GD provides natural gas service to 356,075 customers located throughout its certificated service territory, which includes 16 counties in and around Eastern and Central Pennsylvania. The UGI-GD service territory includes five of Pennsylvania's 10 largest cities: Allentown, Bethlehem, Harrisburg, Lancaster and Reading, along with the suburban communities surrounding them. The UGI-GD service territory also includes rural communities as well. Its distribution system contains 5,423 miles of natural gas distribution mains and 117 miles of natural gas transmission mains.

UGI-PNG provides natural gas service to 162,523 customers as of September 30, 2013. These customers are located throughout a certificated service territory which includes 13 counties in and around Northeast Pennsylvania. The service territory of UGI-PNG is somewhat densely populated in and around the Cities of Wilkes-Barre, Scranton and Williamsport but otherwise consists of sparsely populated rural or suburban communities. Its system contains 2,575 miles of natural gas distribution mains and 66 miles of natural gas transmission mains.

UGI-CPG provides natural gas service to 78,175 Pennsylvania customers as of September 30, 2013. These customers are located throughout its certificated service territory, which includes 37 counties in Northeastern, Central and Northwestern Pennsylvania. UGI-CPG's service area is sparsely populated and non-integrated, as it is

composed of mostly rural or distant suburban communities. Its distribution system contains 3,713 miles of natural gas mains and 110 miles of natural gas transmission mains.

1. TYPES AND AGE OF ELIGIBLE PROPERTY

UGI-GD has identified the following types of property as DSIC-eligible distribution infrastructure that will be replaced as part of its plan:

- Gas distribution & transmission mains, valves, fittings, couplings, and appurtenances
- Gas service lines including tees, excess flow valves, curb valves, first stage regulators, tubing / piping, and risers
- Gas meter sets including regulators, meter bars, meter set piping, meters, and telemetry
- District regulator stations and city gate stations including telemetry
- Mandated facility relocations, as related to highway projects (unreimbursed costs)
- Related capitalized costs - equipment, tools, corrosion control equipment, vehicles, and supporting information technology

In the following section of its Plan, the Company will address each of these categories of property.

Distribution Mains

Distribution mains are DSIC-eligible property under Section 1351(2)(i) of the Public Utility Code. UGI-GD's distribution mains are comprised of several different types of material including cast iron, wrought iron, unprotected bare steel, unprotected coated steel, protected bare steel, protected coated steel, and plastic. Cast iron and bare steel make up approximately 15% of UGI Distribution Companies pipelines. For UGI-GD, those materials comprise 13.6% of its system. The remaining approximately 85% of pipelines of the UGI Distribution Companies are comprised of contemporary materials which include plastic and coated steel. For UGI-GD, contemporary materials compose 86.4% of the system.

Cast iron distribution and bare steel distribution mains are considered legacy distribution assets and are widely recognized as warranting prioritized attention in terms of risk management and accelerated replacement.

As of December 31, 2012, UGI-GD had a total of 5,423 miles of distribution mains in its system.

Figure 2. Miles of Distribution Mains as of 12/31/2012³

Type of Material	Miles	Percent of Total
Unprotected bare steel	260.2	4.8
Unprotected coated steel	129.2	2.4

³ Per UGI-GD 2012 Department of Transportation ("DOT") report.

Protected bare steel	131.8	2.4
Protected coated steel	1613.0	29.7
Ductile iron	0	0.0
Copper	0.1	0.0
Cast / wrought iron	347.5	6.4
Plastic	2938.3	54.2
Other	3.0	0.1
Total	<u>5423.1</u>	<u>100.0</u>

Beginning in 2014, UGI-GD's Plan reflects the accelerated replacement and removal of all cast iron and bare steel / wrought iron pipelines within 13 and 28 years, respectively, or by February 2017 and September 2041. Other mains will be replaced as may be necessary to maintain or improve system integrity and reliability, or as may be required to accommodate highway related projects.

UGI-GD distribution mains were installed over a significant period of time. While many of these older distribution mains are composed of contemporary materials, the majority of the older facilities are made of vintage materials. Accelerating the replacement of cast iron mains, bare steel mains, vintage plastic mains, and the appurtenances associated with them will significantly improve the overall age profile and performance of the UGI-GD distribution system.

Figure 3. Age Profile of UGI-GD Distribution Mains as of 12/31/12⁴

Decade of Installation	Mileage	Percent of Total
Unknown	1.8	0.0
Pre-1940	508.1	9.4
1940s	77.1	1.4
1950's	536.6	9.9
1960's	729.6	13.4
1970's	421.2	7.8
1980's	693.2	12.8
1990's	1074.7	19.8
2000's	1214.0	22.4
2010's	166.8	3.1
Total	<u>5423.1</u>	<u>100.0</u>

Gas Service Lines

Gas service lines are the piping and/or tubing that connect the Company's mains to the meter sets. Service lines are constructed using the same materials as mains and are subject to the same elements that affect the physical integrity of the mains. In order to ensure that distribution service is reliable and safe, these service lines must be periodically replaced on the basis of condition or planned obsolescence. Gas service lines are DSIC eligible property under Section 1351(2) (iii) of the Public Utility Code.

Figure 4. Service Lines by Material as of 12/31/2012⁵

Service Material	Number of Services	Percent of Total
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⁴ Ibid

⁵ Ibid.

Unprotected bare steel	14,311	4.1
Unprotected coated steel	9,196	2.7
Protected bare steel	799	0.2
Protected coated steel	39,621	11.4
Ductile iron	0	0
Copper	10,871	3.2
Cast / wrought iron	2	0
Plastic	271,696	78.4
Other	. 23	0
Total Services	<u>346,519</u>	<u>100.0</u>

Gas services are typically replaced on a planned basis in conjunction with the replacement of the main to which they are connected. Coordinating replacements in this manner maximizes the efficient use of Company resources, and minimizes the inconvenience to customers. At the time of service line replacement, inside meters will be replaced with outside meters wherever practical to better facilitate company access.

Gas services may also be replaced in conjunction with meter move-outs. When meters are relocated from inside customer premises to outside, it is often convenient to simultaneously replace the affected service line. When coordinated in such a manner, future inconvenience to the customer is minimized by upgrading Company facilities in a single mobilization. Should future Commission rule makings require existing inside

meters to be relocated outside, it would be expected that the number of service line replacements would increase in proportion to the number of meter move-outs⁶.

Excess Flow Valves

Excess flow valves are safety devices installed on gas service lines which interrupt the flow of gas in the event of a fully severed line, typically in the case of damage caused by excavation. As service lines are replaced, excess flow valves are installed in accordance with Subpart H of CFR 49 Part 192 – Transportation of Natural and Other Gas by Pipeline: Minimum Federal Safety Standards Section 192.381. Excess flow valves are DSIC-eligible property under Section 1351(2)(v) of the Public Utility Code.

Mercury Regulators

Mercury regulators are a type of pressure reduction device which incorporate liquid mercury as over-pressure protection. Mercury regulators were generally installed prior to the early 1960s when spring loaded relief valves became the industry standard. As part of the LTIP, UGI plans to continue the replacement of mercury regulators. An estimated 7,000 mercury regulators remain in the UGI-GD system. Mercury regulators are DSIC-eligible property under Section 1351(2)(iii) of the Public Utility Code.

⁶ In reference to proposed rulemaking re amendment to 52 Pa. Code §59.18 Meter Location, Docket L-2009-2107155

City Gate & District Regulator Stations

City Gate and District Regulator Stations are facilities which reduce system pressures as gas is distributed throughout the piping network. City Gate Stations are generally located at the point of custody transfer between the interstate pipelines and distribution systems, whereas District Regulator Stations are located within distribution systems. Regulator stations must be periodically updated or replaced as components such as piping and mechanical equipment age and wear. Additionally, over time mechanical components such as regulators become obsolete and must be replaced with modern equipment to ensure availability of replacement parts and reliability. Regulating facilities may be replaced in whole or part depending upon the project objectives. Partial replacements could encompass equipment including but not limited to regulators, valves, heaters, metering, Supervisory Control And Data Acquisition (“SCADA”), and odorization. Some facilities will be eliminated through main replacement programs as low pressure systems are eliminated or where systems are otherwise consolidated. City Gate Stations and Distribution Regulator Stations are DSIC-eligible property under Section 1351(2)(i) and § 1351(2)(iv) of the Public Utility Code.

Figure 5. Number and Type of Regulator Stations

	City Gate Station	District Regulator Station	Total
UGI-GD	41	378	419

Vintage Plastic Pipe, Plastic Pipe Components, and Mechanical Fittings

Certain plastic pipe materials and fittings have been found to exhibit a higher than average potential for failure. UGI-GD has identified a type of tee, the fitting which joins the service line to the main, which may fail as the result of a compromised mechanical connection between the tee and main. A second type of plastic fitting, a service line curb valve with compression connections, has similarly exhibited a higher potential for failure. UGI-GD is engaged in ongoing surveillance and proactive repair and replacement of these fittings. When mechanical tees are replaced, a section of the host main is replaced, and a new tee is connected by plastic fusion. Compression connection service line valves are addressed by replacing the affected service line. Finally, early vintage plastic pipes have been found to be subject to higher potential for brittle cracking type failures and are replaced on a risk prioritized basis. In total, approximately 2,900 compression connection valves and 19,800 mechanical tees will be reviewed and addressed as may be appropriate at UGI-GD. Finally, certain types of early vintage plastic pipes have been found to be subject to higher potential for brittle cracking type failures. UGI-GD will monitor vintage plastic pipe performance perform replacements on a risk prioritized basis as may be necessary to maintain reliability and integrity. The aforementioned plastic pipe and pipe components are DSIC-eligible property under Sections 1351(2)(i), 1351(2)(ii), 1351(2)(iii), 1351(2)(iv), and 1351(2)(v) of the Public Utility Code.

Transmission Mains & Infrastructure

UGI-GD maintains approximately 117 miles of natural gas transmission pipelines. Transmission pipelines are those mains which provide large volumes of gas at high

pressures to provide service to entire cities and towns or large volume customers such as gas fired electric generation plants.

Maintaining the integrity of transmission infrastructure is necessary for both reliability and safety. In terms of reliability, transmission lines often provide service to many thousands of customers. Service interruptions can have wide spread regional consequences for many stakeholders. For these reasons, maintaining transmission infrastructure to a high degree of integrity is paramount. Transmission mains are DSIC – eligible property under Sections 1351(2)(i) and 1351(2)(iv) of the Public Utility Code.

Figure 6. UGI-GD Transmission Mains by Material as of 12/31/12⁷

Type of Material	Miles	Percent of Total
Protected bare steel	0.5	0.4
Protected coated steel	115.9	99.4
Unprotected bare steel	0.1	0.1
Unprotected coated steel	0.1	0.1
Cast iron	0	0
Wrought Iron	0	0
Plastic	0	0
Composite	0	0
Other	0	0

⁷ Per UGI-GD 2012 Department of Transportation (“DOT”) Transmission report.

Total	<u>116.6</u>	<u>100.0</u>
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Figure 7. UGI-GD Transmission Mains by Age as of 12/31/12⁸

Decade of Installation	Mileage	Percent of Total
Unknown	0	0
Pre-1940	0	0
1940s	1.9	1.6
1950's	20.2	17.3
1960's	30	25.7
1970's	14.4	12.4
1980's	25.2	21.6
1990's	12.2	10.5
2000's	12.7	10.9
2010's	0	0
Total	<u>116.6</u>	<u>100.0</u>

Approximately 19% of the UGI-GD transmission system is pre-1960s vintage, or more than 50 years old. Ongoing investments in transmission infrastructure are necessary to maintain these assets to ever increasing contemporary standards. Specifically, investment in the retrofit of transmission pipelines to facilitate internal inspection, pressure testing, and other integrity assessment techniques may be required to meet transmission integrity management regulations. Furthermore, replacement of transmission assets, in response to assessment findings, may be required to maintain system integrity.

⁸ Ibid

System Reliability Improvements

System Reliability Improvements are those investments required to maintain ongoing system reliability. Typical projects include investments in distribution or transmission infrastructure needed to reinforce system pressures to ensure firm peak-day deliverability. Investment in transmission and distribution mains is DSIC-eligible under Section 1351(2)(i) of the Public Utility Code.

UGI-GD utilizes system network models to predict system performance under peak operating conditions. Model results are validated against actual system operating conditions using data from remote SCADA monitoring, system regulator station charts, and winter survey gauges. Specific reliability projects are identified to improve system pressures as may be needed to maintain system reliability design criteria to firm customers.

Meters

UGI-GD replaces meters as may be necessary to maintain compliance with gas measurement accuracy standards as stipulated in 52 PA Code Section 59.21. UGI-GD maintains a statistical sampling program to evaluate meter accuracy. Should a grouping of meters fail to meet accuracy requirements, the meters are repaired or replaced. Replacement meters are DSIC eligible property under Section 1351(2)(viii) of the Public Utility Code.

Mandated Facility Relocations

UGI-GD is periodically required to relocate gas facilities to accommodate highway improvement projects. The unreimbursed portion of these costs is DSIC eligible property under Section 1351(2)(ix) of the Public Utility Code. When contemporary facilities are impacted, UGI-GD seeks to coordinate such projects to minimize the extent of facility relocation. When non-contemporary facilities, such as cast iron, bare steel, or vintage plastic are involved, the relocation projects provide an opportunity for infrastructure replacement.

Related Capitalized Costs

The replacement of DSIC eligible property described above may result in additional related costs incurred that are essential and necessary in order to efficiently manage specific accelerated capital improvement projects. Examples include but are not limited to tools, equipment, fleet, corrosion control, and information technology investments. These related costs are DSIC eligible property under Section 1351(2)(x) of the Public Utility Code.

2. SCHEDULE FOR PLANNED REPLACEMENT OF ELIGIBLE PROPERTY

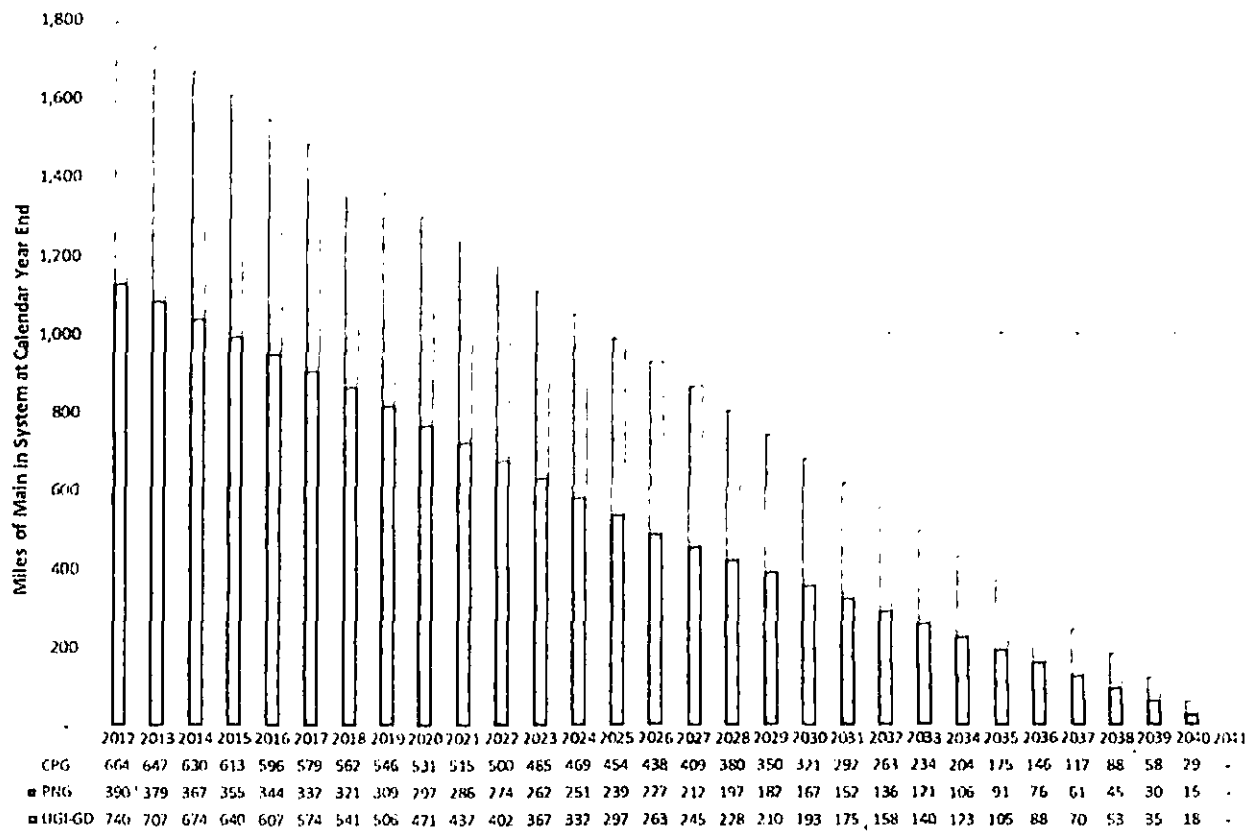
The UGI-GD LTIP reflects acceleration in the rate of infrastructure repair, improvement and replacement over historical levels. In particular, the accelerated replacement in this plan conforms with the Settlement Agreement approved by the Pennsylvania Public Utility Commission at Docket No. C-2012-2308997 (“Settlement Agreement”). Under the Settlement Agreement, the UGI Distribution Companies will replace all cast iron and

bare steel pipelines located within their combined systems. As of the date of the Plan filing, cast iron replacement will be completed in 13 years ending in February 2027, and bare steel / wrought iron replacement will be completed in 28 years ending in September 2041. This replacement rate, on a combined basis, represents a significant acceleration over historical replacement rates.

As depicted in the Figure 8⁹ below, it is anticipated that UGI-GD will replace approximately 33 miles of combined cast iron and bare steel mains in 2014. The specific allocation of mileage between cast iron and bare steel main replacement will vary annually depending on annual risk evaluations and project specific considerations. Additionally, the amount of the annual UGI Distribution Companies' 62 mile main replacement plan allocated to UGI-GD will vary as risks are annually re-evaluated and re-prioritized across all UGI Distribution Companies.

⁹ The replacement schedule presented in Figure 8 is a forecast based on known mileage of cast iron, bare steel, and wrought iron as of 12/31/12. Subsequent revisions of main classifications, as determined through field verification or records review, will modify this projection.

Figure 8 - Approximate Main Replacement Schedule
Cast Iron / Bare Steel / Wrought Iron Combined



Under the accelerated main replacement program UGI-GD will focus on replacing existing cast iron and bare steel /wrought iron mains and related facilities. While certain bare steel facilities will be replaced in early years, the initial schedule emphasizes cast iron replacement until the final cast iron retirements are completed by March 1, 2027. Subsequently, replacement efforts shift to an emphasis on bare steel.

Main replacement risk evaluation is based on numerous factors, including the pipe condition, age, coating, type of ground cover, geographical proximity to structures, and prior leak and/or break history. Appendix A provides a detailed listing of factors

considered in the risk based evaluation. Additionally, specific projects may be escalated to enable coordination of replacement efforts with municipal roadway resurfacing projects.

The UGI Distribution Companies perform an annual review to identify the highest risk pipe segments and prioritize those replacements each year. UGI Distribution Companies utilize commercial risk evaluation software in concert with a team of Subject Matter Experts to evaluate, prioritize, and bundle replacement projects. This hybrid approach targets the highest risk mains first while also balancing the need to maximize the efficient deployment of capital and resources.

This approach is consistent with the UGI Distribution Companies' Transmission Integrity Management Program ("TIMP") and Distribution Integrity Management Program ("DIMP") in accordance with Subpart P of 49 CFR Part 192 – Transportation of Natural and Other Gas by Pipeline: Minimum Federal Safety Standards. The purpose of the UGI Distribution Companies' TIMP & DIMP is to enhance public safety by identifying risks, assessing and prioritizing the risks, and implementing additional and accelerated actions or preventative and mitigative measures to reduce risks. As the UGI Distribution Companies continue to implement the TIMP & DIMP, other pipeline assets may be identified for repair, improvement or replacement as their conditions are evaluated and relative risks are reviewed and prioritized.

Attached to this Plan as Appendix B is a list of DSIC eligible main replacement projects currently planned for 2014. This listing is developed and reviewed one or more times each year based on a reassessment of the most current data available. Therefore, this is a dynamic list of projects that is subject to modification. In addition to the identified projects, UGI-GD must address mandatory replacements, non-repairable leakage, and emerging main issues that develop in the field and require immediate attention. Replacement of such segments of pipe is not reflected in Appendix B and will impact the ultimate timing of the completion of identified projects.

Certain circumstances, such as municipal government and Pennsylvania Department of Transportation construction projects, or changes in state or federal pipeline safety code also could impact UGI-GD's schedule and scale. Long term infrastructure improvement projects performed by the UGI-GD, and human and material assets associated with those projects, will be adjusted or changed as required to align with changing circumstances. Projects will be regularly reviewed and updated to ensure all projects are cost effective and provide the expected system integrity and reliability benefits.

3. LOCATION OF ELIGIBLE PROPERTY

UGI-GD will conduct projects distributed throughout its service territory. As described earlier, UGI-GD's service territory contains approximately 5,423 miles of natural gas distribution mains and 117 miles of natural gas transmission mains throughout 16 counties in and around Eastern and Central Pennsylvania. The UGI-GD map below

asset optimization plan filed by UGI-GD, the Company will provide updated yearly replacement plans, based on its latest risk assessment process.

The following table provides estimates of the approximate schedule and units of property to be replaced at UGI-GD under the LTIP plan. UGI-GD anticipates replacing or repairing the following approximate amounts of DSIC eligible infrastructure.

Figure 10. Replacement Quantities and Rates

<u>Asset Type</u>	<u>Strategy</u>	<u>LTIP Schedule / Replacement Rate</u>
Distribution Mains – Cast Iron	Replace cast iron mains on a risk prioritized basis consistent with DIMP criteria	All mains replaced in 13 years, ending February 2027
Distribution Mains – Bare Steel	Replace bare steel mains on a risk prioritized basis consistent with DIMP criteria	All mains replaced in 28 years, ending September 2041
Coated Steel Mains	Replace coated steel main as required per mandatory replacements, non-repairable leakage, and emerging main issues	Replace as necessary to maintain system integrity
Transmission Mains	Retrofit transmission lines as required to perform assessments, replace / remediate as may be required per assessment findings	To be determined based upon requirement for assessments and assessment results
Services	Replace services in concert with main replacements	Replacement rate will be proportional to accelerated main replacement rates
Regulator & City Gate Stations	Replace stations and components on obsolescence / condition basis	Variable rate per year based on facility condition assessment & prioritization

Vintage Plastic	Replace mechanical tees, mechanical coupled valves, on an assessed condition basis, including replacement of header main as may be required	Replace as needed to maintain system integrity or at rate as determined by relative risk prioritization
Mandated Facility Relocations	Relocate infrastructure as required by highway agencies. Replace vintage infrastructure in path of highway improvements opportunistically to minimize future paving costs	As required by highway agencies
Related Capital Costs	Invest in tools, equipment, fleet, corrosion control, and information technology as required to enable LTIIIP	As required

5. PROJECTED ANNUAL EXPENDITURES AND MEASURES TO ENSURE THAT THE LTIIIP IS COST-EFFECTIVE

Projected Annual Budget for Upgrades

The table below provides a projection of total annual expenditures for the LTIIIP period, 2014 through 2018, for both UGI-GD specifically as well as the UGI Companies in total.

Figure 11. Projected LTIIIP Annual Expenditures 2014-2018

Fiscal Year	Capital Investment UGI-Gas (\$MM)	Capital Investment All UGI Companies (\$MM)
2014 Projected	\$51.2	\$85.1
2015 Projected	\$51.2	\$87.6
2016 Projected	\$51.2	\$88.1
2017 Projected	\$51.2	\$89.1
2018 Projected	\$51.2	\$89.1

Cost-Effectiveness

UGI-GD will be employing numerous oversight and control processes in order to ensure resources expended on its LTIP projects are being prudently spent. The following methods are planned to increase cost effectiveness:

- Competitive bidding of multi-year pipeline construction and restoration contracts
 - Utilization of unit based pricing to limit change order impacts
 - Aggregation of UGI Distribution Companies' projects for bid purposes to gain economy of scale benefits
 - Provision of minimum guaranteed volume contracts to benefit from economies of scale
 - Issuance of special bids for large or unconventional projects
 - Recruitment of additional qualified contractors to increase the competitive nature of the process.
 - Evaluation and implementation of new or improved technologies to decrease costs, such as:
 - Directional drilling, insertion, and other minimally disruptive trenchless technology versus traditional direct burial
 - Key hole / core bore service replacement
 - Perform periodic HR staffing allocation reviews to assure optimal resource utilization and deployment.
-

In addition to the above, UGI-GD will monitor safety and reliability indicators for the natural gas distribution system over time in particular with a focus to evaluate corrosion and leak resolution performance, track emergency response, pursue damage prevention, and reinforce employee safety and safety improvement.

In order to increase construction efficiency in a way that maximizes the effectiveness of replacement capital, efforts shall be made at the start of each fiscal year to group planned replacement projects with others in a geographic region. Such an approach reduces costs associated with mobilization, materials delivery and stockpiling, and also improves inspection efficiency and safety performance.

Geographic planning of projects as described above will also reduce the impact to the community in which the projects occur by ensuring that replacement activities are completed with fewer mobilizations into and out of a community. As the construction crew completes main and service replacements, construction should move logically from one portion of an area to another, so that disruptions such as road closures, parking restrictions, construction noise and interruption of service are restricted to only the time required to complete the main and service replacement in the immediate area.

Overall, the UGI Distribution Companies will focus on continuously enhancing planning, response and facility restoration efforts. Changing circumstances impacting the accelerated facility restoration efforts will cause a need for constant review and update of the responses and techniques used. In addition, communication approaches, information

management systems and operations protocols used in facility improvement will need to be adjusted and continuously improved as well. The UGI Distribution Companies are refining the planning and resource alignment processes used in accelerated facilities improvement initiatives. The UGI Distribution Companies are constantly reviewing and evaluating facility information to continually enhance and refine the accuracy of infrastructure data.

Finally, UGI Distribution Companies will continue an evaluation of industry best practices, collaboration with industry partners, and interaction with regulatory agencies. Opportunities to enhance and expand the effectiveness of processes and procedures will be evaluated and considered to ensure continuous improvement of infrastructure that is cost-effective.

6. MANNER IN WHICH REPLACEMENT OF AGING INFRASTRUCTURE WILL BE ACCELERATED AND HOW REPAIR, IMPROVEMENT, OR REPLACEMENT WILL MAINTAIN SAFE AND RELIABLE SERVICE.

Acceleration

The UGI-GD LTIP reflects acceleration that has previously been agreed to by the UGI Distribution Companies and the Public Utility Commission. In an Order entered on February 19, 2013, the Pennsylvania Public Utility Commission approved a Joint Settlement Petition which, among other conditions, requires the UGI Distribution Companies to replace all cast iron mains over a 14 year period ending in February 2027

and all bare steel / wrought iron mains over a 30 year period ending in September 2041.¹⁰

The impact this commitment has on the overall infrastructure replacement rate and capital expenditures for the UGI Distribution Companies has been dramatic.

Accelerated Capital Investment by UGI-GD

In accordance with the accelerated replacement plan described above, the UGI Distribution Companies have already begun to ramp-up needed resources and capital spending levels. This acceleration started in 2012, and while prioritization of activities initially were largest at UGI-GD, the acceleration impacts – both current and planned – are evident across all of the UGI Distribution Companies, including UGI-GD.

For purposes of demonstrating the acceleration commitment made by the UGI Distribution Companies in this LTIP for 2014 through 2018, a comparison to a three-year baseline average comprised of capital expenditures for 2009 through 2011 is shown below for both UGI-GD specifically, as well as the UGI Distribution Companies, in total.

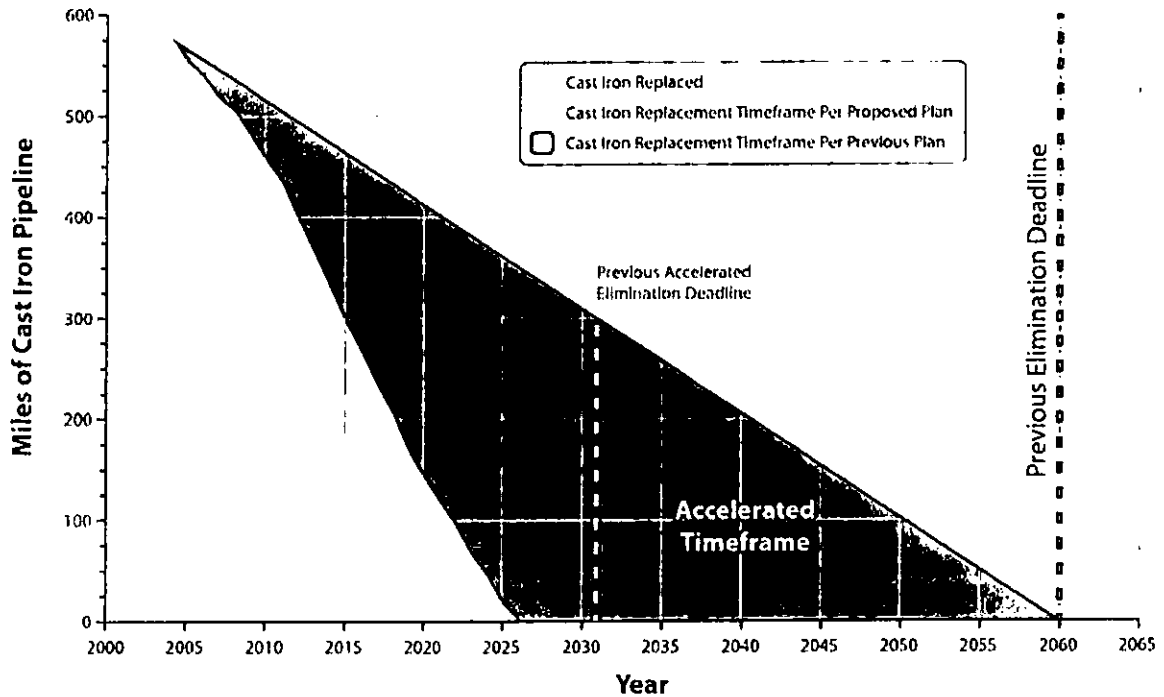
Fiscal Year		Capital Investment UGI-Gas (\$MM)	Capital Investment All UGI Distribution Companies (\$MM)
2009-2011 (Avg/yr)	Baseline	\$26.1	\$50.6
2012 Actual		\$35.7	\$61.1
2013 Actual		\$54.3	\$93.9
2014 Projected		\$51.2	\$85.1
2015 Projected		\$51.2	\$87.6
2016 Projected		\$51.2	\$88.1
2017 Projected		\$51.2	\$89.1
2018 Projected		\$51.2	\$89.1

¹⁰ Pennsylvania Public Utility Commission Opinion and Order Entered February 19, 2013, Docket C-2012-2308997

As demonstrated above the acceleration in UGI-GD DSIC eligible spend between 2018 projected spend and the 2009-2011 baseline period increases by 96%. Total DSIC eligible spend for all UGI Distribution Companies increases by 76%. This investment acceleration relates to a 17% increase in the amount of bare steel and cast iron main replaced (average 53.2 miles per year replaced in 2009-2011 baseline period vs. 62 miles per year during *LTIIP*).

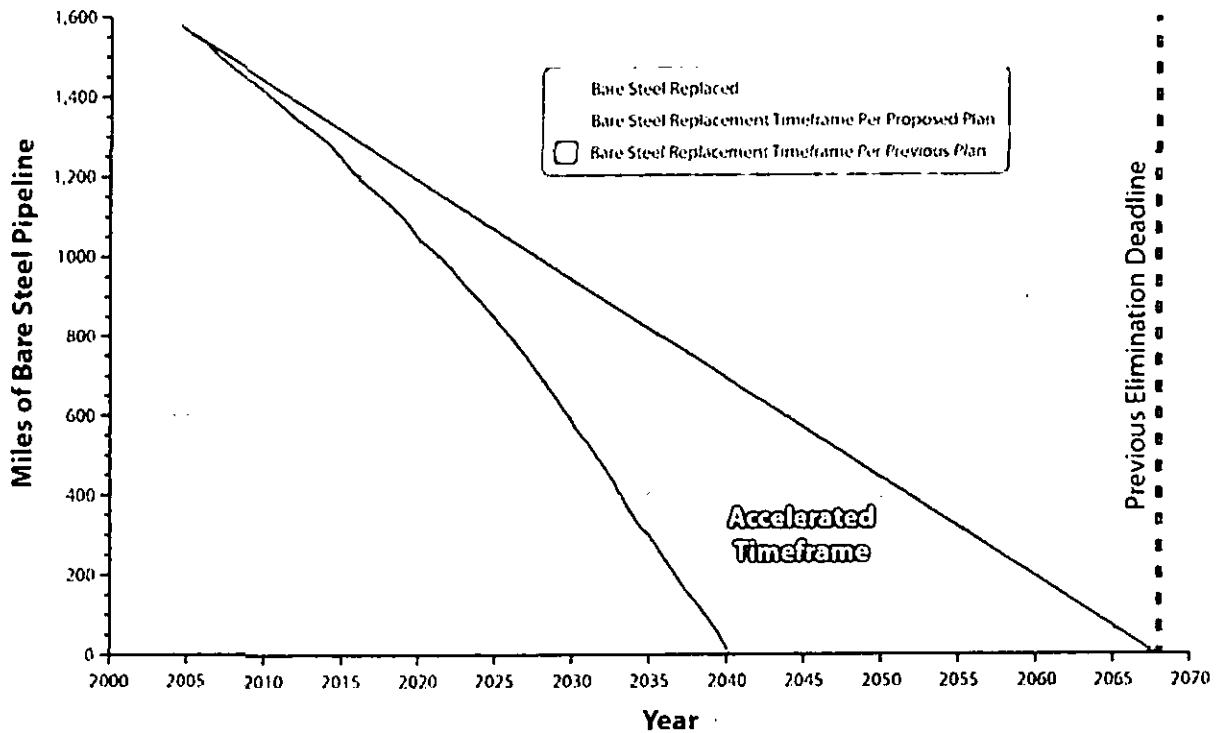
The overall plan to address cast iron distribution mains is to replace all such facilities by the end of February, 2027. The graph in Figure 12 below provides a visual representation of this plan versus the previous replacement timeframe which is based on the historical replacement trend. Per the accelerated replacement rate, all cast iron mains will be eliminated from the UGI Distribution Companies 33 years ahead of the prior timetable.

Figure 12. Accelerated Cast Iron Replacement



The overall plan to address bare steel and wrought iron mains is to replace all such facilities by October 2041. The graph in Figure 13 below provides a visual representation of this plan versus the previous replacement timeframe which is based on the historical replacement trend. Per the accelerated replacement rate, all bare steel / wrought iron mains will be eliminated from the UGI Distribution Companies 27 years ahead of the prior timetable.

Figure 13. Accelerated Bare Steel / Wrought Iron Replacement



While the overall replacement deadlines will remain fixed, for any given intermediate period the sequence of projects and amount of specific facilities to be addressed may be adjusted in response to changing conditions. A variety of factors, due to the nature of the natural gas distribution business, may cause these changes to occur. These factors include but are not limited to state and municipal relocation projects, other private construction projects, system upgrades due to pressure requirements, regulatory changes, and legislative changes.

Safe and Reliable Service

UGI-GD expects that the investment enumerated in this LTIP will provide customers with significant improvements in safety and reliability. Proposed LTIP replacement

investments have been identified and prioritized on a risk basis in accordance with UGI Distribution Companies' DIMP and TIMP plans. Risk based prioritization ensures that those projects which deliver the most significant reductions are addressed first. As the investment plan progresses, customer benefits will be manifested over time in terms of reduced leakage rates, fewer main breaks, and fewer unplanned customer interruptions. Additionally, it is expected that the amount of lost and unaccounted for gas due to system leakage and measurement inaccuracy will be reduced as leaks are eliminated and meters are replaced. Finally, peak day reliability will improve as pressure improvement projects will elevate system low points under peak day design conditions.

Project Coordination & Municipal Outreach

UGI-GD, as part of the UGI Distribution Companies, has a long-standing and active outreach program with local municipalities in its service territories aimed at coordinating construction projects. The municipal outreach program allows for clear communication of information about the natural gas distribution system safety, design and operations, as well as information regarding upcoming facility improvement projects. Coordination with municipal governments minimizes disruptions to residents in the area of proposed construction, enables efficient replacement of facilities, and promotes awareness of construction projects being performed around UGI Distribution Companies infrastructure.

Section 59.38, from Chapter 59 - Gas Service, requires each public utility to notify the Commission of all major construction, reconstruction or maintenance of plant at least 30 days prior to the commencement of work. Notification must be given when the estimated

expenditure for any single project exceeds \$300,000 on the sum of main, paving and service replacement costs. In order to increase communication with the Commission, notification shall be sent for multiple projects grouped by a close proximity that are estimated to total \$300,000 or more for main, paving and service replacements.

7. WORKFORCE MANAGEMENT AND TRAINING

Training and Operator Qualifications

Safety has always been a core value at UGI-GD. The UGI Distribution Companies conduct an Operator Qualification (OQ) Program to ensure that personnel performing critical tasks on all pipeline facilities have the necessary knowledge, skills and abilities. The OQ program includes more than 120 identified tasks, with many sub-parts within tasks, requiring extensive training, testing and qualification verification. Field technicians complete comprehensive safety courses including jobsite safety, driver safety, fire extinguisher use, pipefitting, hazardous materials recognition, abnormal operating condition recognition, emergency response, basic gas piping construction and maintenance, and leak detection.

UGI Distribution Companies utilizes an internal compliance department to perform regular quality and safety inspections of construction activities, and verification of qualifications of those individuals performing operator qualification covered tasks. Compliance inspectors perform unannounced job site inspections of both Company and contractor crews. Any deficiencies identified are escalated to Company or contractor management for investigation and correction.

UGI-GD currently utilizes construction inspectors, both internal and external, to inspect natural gas distribution facility projects constructed by contractor crews. Contractors working on the UGI-GD system must pass a rigorous review and meet all Department of Transportation regulatory requirements. Contractors must maintain current written documentation including operator qualification plans, safety plans, drug and alcohol abuse prevention plans.

Resource Requirements

It is anticipated that UGI Distribution Companies will hire incremental managers, supervisors, engineers, project managers, inspectors, and contractors in order to accelerate the replacement of the facilities per this plan. Currently, UGI Distribution Companies have hired external consulting resources to assist with engineering design workload as needed.

The UGI Distribution Companies have allied with universities and post-secondary technical schools and are partnering with the veteran's group Helmets to Hardhats to serve as resources in responding to the resource ramp-up required to support the LTIIPs. The UGI Distribution Companies are also engaged in developing plans to recruit qualified individuals able to serve in Construction & Maintenance (C&M), Utility, Mechanic, and Technician positions.

Appendix A

Distribution Integrity Risk Evaluation

As part of the UGI Distribution Companies' Distribution Integrity Management Plan, on an ongoing basis several methods are employed to perform a relative risk ranking of assets for each Company. Commercially available pipeline risk evaluation software is utilized in conjunction with the data available from the UGI Distribution Companies' Geographic Information Systems to compute risks on individual main segments. The computed risks are utilized to prioritize the sequence of planned main replacements. Additionally, supplemental to the computerized risk model, on a quarterly basis, the UGI Distribution Companies gather individual Subject Matter Experts from each Company to update and validate the relative risk assessment of all distribution assets, discuss any new or emergent threats, and to communicate any recent distribution integrity issues. The outlines below summarize distribution infrastructure data considerations and distribution integrity threats incorporated in the UGI DIMP plan.

Physical Infrastructure

Pipe material

- A. Plastic
 - 1) Polyethylene (PE)
 - 2) Polyamide 11 (PA11)
 - 3) Poly Vinyl Chloride (PVC)
 - 4) Fiberglass .
 - B. Steel
 - 1) Coated, protected
 - 2) Coated, non-protected
 - 3) Bare, protected
 - 4) Bare, non-protected
 - C. Copper
-

- D. Cast iron
- E. Wrought iron
- F. Other

Pipe specifications

- A. Diameter
- B. Joint length, primarily for cast iron
- C. Steel pipe specifics as appropriate
 - 1) Grade (not typically relevant for low hoop stress operating pressures)
 - 2) Wall thickness
- D. Plastic pipe specifics
 - 1) Medium density/high density
 - 2) SDR
 - 3) Straight lengths (stick) or coil

Construction

- A. Year installed
- B. Joining Method (e.g., coupling, mechanical joint, bell and spigot, welded, threaded, fused, electro-fusion, adhesive)
- C. Installation method (e.g., open trench, inserts, boring, directional drilling, pad by others, common trench, etc.)
- D. Location (e.g., in street, behind curb, in private r/w)
- E. Cover
 - a. Depth (original, current, restored)
 - b. Type (e.g. backfill, pavement, grass/dirt, gravel/slag, aboveground)
- F. Company/contractor completing installation
- G. Casings
- H. Crossings (e.g. highway, bridge, underwater)
- I. Expansion loops (thermal effects)
- J. Pipe support systems

Corrosion control

- A. Below ground coating type – mill and field applied (e.g. coal tar, PE, fusion bonded epoxy, wax, cold or hot applied tapes, etc.)
- B. Cathodic protection type (e.g., galvanic anode, impressed current;)
- C. Electrical isolation (e.g., type, location)
- D. Stray current areas (e.g., interference, bonds, reverse current switch)
- E. Rock shield
- F. Above ground coating type

Valves

- A. Size
 - B. Type (e.g., ball, gate, plug)
 - C. Location
 - D. Usage (e.g., emergency, station shutoff, bypass, convenience)
 - E. Manufacturer
-

- F. Material of construction (e.g., same as pipe?)
- G. End connections
- H. Pressure rating (e.g., ANSI or WOG class)

System pressure regulation

- A. Regulator specification
- B. Location
- C. Design and typical inlet and outlet pressures
- D. Regulator capacity
- E. Operation (e.g., pilot, spring, weight)
- F. Manufacturer
- G. Means of overpressure protection (e.g., relief valve, monitor, slam shut, and combinations)
- H. Relief valve capacity and build-up as required.

Other

- A. Specialized components (e.g., EFVs, insulating joint or union, anodeless riser, expansion or other flexible joint)
- B. Field Fabricated fittings (e.g., reducing coupling, service entry jacket, leak repair device)
- C. "Priority facilities" under physical facilities security program

Historical Operating Information & Attributes

Results of inspections and surveys

- A. Leak surveys
- B. Corrosion inspections
- C. Valve inspections
- D. District regulator inspections
- E. Patrols
- F. Special field surveys or patrols (e.g., post-flooding patrols or winter/frost leak surveys)
- G. Liquids removal

Documentation of leaks and other maintenance performed

- A. Leak grade ("C" hazardous; "B"; and "A")
 - B. Repair type
 - C. Exposed metallic pipe inspections
 - D. Corrosion control systems
 - E. Equipment or component replacements
 - F. Material or equipment failure reports
 - G. Number of leaks eliminated/repaired by cause of leak category (Part C of the Annual DOT Report)
 - H. Incident reports
-

Damage Prevention Locate / Excavation activity

- A. Damage records (e.g., Operator, one-call center)
- B. Responsible parties
- C. The number of underground locate requests received
- D. Proposed or completed significant construction activities

Geologic/environmental conditions

- A. Surface type at grade over pipeline
- B. Proximity to varying building types and density
- C. Earthquake zone
- D. Known washout areas
- E. Flood zones
- F. Minimum and maximum temperatures
- G. Soil types
- H. Land subsidence areas

Operating pressure

- A. Maximum actual/allowable operating pressure
- B. Minimum operating pressure experienced (e.g., peak day)
- C. Normal operating pressure
- D. Fluctuations (e.g., seasonal, random)
- E. Upgrading performed in the past.

General Industry Information

In addition to company specific information, UGI monitors the activities of PHMSA, the American Gas Association, Plastic Pipe Data Committee, Gas Piping Technology Committee and industry publications to ensure that information related to failures experienced by other operators is known to UGI. Such information is used to compare information about other operators to that of UGI and to offer an additional source of information about failure data and materials and operating problems throughout the gas industry.

Threat Identification

The following general threat categories are considered in the DIMP plan:

- 1) Corrosion – resulting from a hole in the pipe or other component that was caused by galvanic, bacterial, chemical, stray current, or other corrosive action.
 - 2) Natural Forces – resulting from earth movements, earthquakes, landslides, subsidence, lightning, heavy rains/floods, washouts, flotation, mudslide, scouring, temperature, frost heave, frozen components, high winds, or similar natural causes.
-

- 3) Excavation Damage – resulting from damage caused by earth moving or other equipment, tools, or vehicles. Include leaks from damage by operator's personnel or contractor or people not associated with the operator.
- 4) Other Outside Force Damage – caused by fire or explosion and deliberate or willful acts, such as vandalism and due to vehicle damage.
- 5) Material, Weld or Joint Failure – resulting from failure of original sound material from force applied during construction that caused a dent, gouge, excessive stress, or other defect that eventually resulted in a leak. This includes those due to faulty wrinkle bends, faulty field welds, and damage sustained in transportation to the construction or fabrication site, resulting from a defect in the pipe material, component, or the longitudinal weld or seam due to faulty manufacturing procedures.
- 6) Equipment Failure – resulting from malfunction of control/relief equipment including valves, regulators, or other instrumentation; stripped threads or broken pipe couplings on nipples, valves, or mechanical couplings; or seal failures on gaskets, O-rings, seal/pump packing, or similar leaks.
- 7) Incorrect Operation – resulting from inadequate procedures or safety practices, or failure to follow correct procedures, or other operator error.
- 8) Other – resulting from any other cause, such as exceeding the service life, not attributable to the above causes.

Consequence Factors

Weighting factors are established to represent consequences that may be anticipated in case of an integrity breach or failure involving the facility groups. Consequence factors are related to the location of the facility in relation to people and property as well as the amount of gas that could potentially be released. These are assigned in three general categories of (1) population / location, (2) operating pressure and (3) piping size.

Appendix B

2014 Planned UGI Main Replacement Projects

Cast Iron Main Replacements

<u>Project ID</u>	<u>Description</u>	<u>Cast Iron (ft)</u>
1363	N 5th Street, 300-400	2061
2187	S 6th Street, 100	1907
2663	Municipal Project	500
2689	Manor Street, 600-900	3741
3686	Butter Lane, 000-600	5339
3986	State Street, 1300-1700	2903
4023	N Cameron Street, 2000	50
4583	E Church Street, 00	670
4588	Broadway Street, 1100- 1200	1670
4607	Cedar Street, 800-900	1492
4612	S 15th Street, 400	550
4614	E Broad Street, 100	772
4618	Green Street, 900	616
4620	N 8th Street, 300	416

Long Term Infrastructure Improvement Plan
of UGI Utilities Inc. – Gas Division

4622	Ridge Avenue, 200	1728
4626	Liberty Street, 100-200	798
4630	E 3rd Street, 00	40
4631	E Broad Street, 200-300	1113
4632	S 21st Street, 500	196
4635	N 12th Street, 200	640
4639	Buchanan Street, 600	180
4641	E Garrison Street, 100	612
4643	Filmore Street, 300	529
4651	Hanover Avenue, 1800	452
4689	Arthur Street, 524-607	32
4706	Porter Street, 800	1260
4874	N 10th Street, 800	520
4879	S 9th Street, 400	940
4895	Buttonwood Street, 900- 1200	1280
4996	Grant Street, 300	203
4998	N 8th Street, 800	257
4999	S Franklin Street, 300-400	1246
5001	N Lumber Street, 400-500	624
5007	Washington Street, 400-500	1300
5008	Washington Street, 700	503

Long Term Infrastructure Improvement Plan
of UGI Utilities Inc. – Gas Division

5010	Allen Street, 700	369
5012	Jackson Street, 800	1531
5016	Hanover Street, 1300	1835
5019	N 4th Street, 800	1062
5030	E Ettwein Street, 00	302
5031	Monocacy Street, 1500	2432
5035	W Livingston Street, 1600	1448
5036	E. Highland, 2000	1160
5037	Liberty Street, 3000-3100	1083
5132	N 11th Street, 1000-1100	1015
5137	Linden Street, 1200-1500	2211
5140	N 6th Street, 1400	2640
5159	Hampden Boulevard, 1100- 1200	400
5168	Allen Street, 2200	590
5175	Maple Street, 1200	707
5178	Hamilton Avenue, 300	276
5179	Mixsell Street, 600	307
5180	Poplar Street, 800-900	1787
5181	E 9th Street, 400-500	1048
5183	Center Street, 1000-1200	1819
5186	Bird Street, 000	1158

Long Term Infrastructure Improvement Plan
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5187	N 3rd Street, 000	1457
5189	Oakwood Drive, 400	722
5191	Northampton Street, 700- 800	792
5192	Chestnut Street, 900-1000	750
5197	S 4th Street, 000-100	5800
5199	Atlantic Street, 800	344
5201	Packer Street, 600-900	1892
5202	S 10th Street, 100	435
5204	Gordon Street, 2100	712
5228	E Court Street, 400	331
5253	Walnut Street, 800	425
5254	S 7th Street, 400	140
5256	N 17th Street, 1000	260
5259	N Duke Street, 100	572
5260	S 13th Street, 200	517
5261	Daisy Street, 1600	2010
5278	E Walnut Street, 000-400	3526
5299	N Franklin Street, 100	820
5302	Ridge Avenue, 100	507
5304	S 12th Street, 100	359
5308	N 14th Street, 200-300	431

Long Term Infrastructure Improvement Plan
of UGI Utilities Inc. – Gas Division

5313	Pratt Street, 400	139
5316	N Lafayette Street, 500-600	1094
5322	N Hanover Street, 200-800	2484
5330	N West Street, 700	72
5331	S 8th Street, 700	1319
5335	S Howard Street, 1000	229
5337	S 2nd Street, 1400	3098
5339	Zarker Street, 1800-2000	4044
5341	Parkhill Street, 600	151
5347	Railroad Alley, 00	349
5349	N 2nd Street, 100-300	2743
5351	Limestone Alley, 300	778
5398	Ahead of Paving Project	7920
5458	E Green Street, 600-800	1602
5580	Walnut Street, 000-200	1030
5581	Locust Street, 000-200	825
5582	Pine Street, 000-200	790
5583	North Street, 200	1102
5587	Market Street, 300-1000	2155
5588	Forster Street, 400-500	560
5592	N 2nd Street, 200-600	3700
5593	N 2nd Street, 200-400	1100

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5594	N 2nd Street, 500-600	1190
5669	Pike Street, 500	870
5729	Van Buren Street, 1100	1166
5738	St George Street, 100	1905
5780	Chelsea Street, 1400-1500	986
5820	Dewey Avenue, 2200-2400	1034
5840	S Dauphin Street, 000	365
5848	N Franklin Street, 300	405
5852	Parker Avenue, 100	3424
5857	N 27th, 300	1574
5859	N Broad Street, 800	935
5875	N 3rd Street, 3000	511
5882	Grant Street, 2500	700
5883	Green Street, 700	386
5887	Cumberland Avenue, 2600- 2700	1388
5891	E Walnut Street, 300	466
5895	Pembroke Road, 1300	611
5896	Pineapple Street, 000	105
5903	Alder Street, 2400	1692
5912	Gordon Street, 1400-1500	896
5914	N 12th Street, 500-900	2792

Long Term Infrastructure Improvement Plan
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5915	N 12th Street, 1000-1100	976
5918	S 10th Street, 200	1075
5920	Church Street, 600	442
5922	Green Street, 1000	226
5941	Schuykill Avenue, 600- 700	703
5944	Perkiomen Avenue, 2500	980
5953	Main Street, 00	574
5959	S Lime Street, 500-600	2029
5960	S Lime Street, 300-400	512
5967	Elm Street, 200	270
5968	W Clay Street, 000	258
5980	S Front Street, 300	1159
5986	N Front Street, 2400-2600	2200
5995	N Front Street, 1000-1400	2109
6368	W Cumberland Street, 700	779

Long Term Infrastructure Improvement Plan
of UGI Utilities Inc. – Gas Division

Bare Steel Main Replacements

<u>Project ID</u>	<u>Description</u>	<u>Bare Steel (ft)</u>
1092	State Route 422, 000	1,500
1094	St Lawrence Avenue, 4200	1,500
1109	Tuckerton Road, 100	500
1277	S Lingle Avenue, 200-400	2,200
2630	Marietta Pike, 3000-3100	180
2640	S Enola Drive, 100	416
2641	S Enola Drive, 200-300	1,130
2648	Guilford Street, 1000-1100	1,340
2663	Municipal Project	500
4023	N Cameron Street, 2000	25
4025	E Cumberland Street, 700-1400	1,798
4261	Buttonwood Street	1,100
4387	N 13th Street, 00-300	1,275
4393	Steel Avenue	492
4395	Emerick Terrace, 4300	608
4404	00-200	1,258
4513	W Chestnut Street, 300	50
4583	E Church Street, 00	480

Long Term Infrastructure Improvement Plan
of UGI Utilities Inc. – Gas Division

4607	Cedar Street, 800-900	50
4626	Liberty Street, 100-200	189
4631	E Broad Street, 200-300	73
4643	Filmore Street, 300	27
4689	Arthur Street, 524-607	1,345
4707	Chestnut St	118
4870	Penn Avenue, 2800-2900	750
4889	Renwick Street, 2000	454
5001	N Lumber Street, 400-500	356
5110	Reading Road, 1700	2,152
5111	Willow Park Road, 2000- 2200	1,257
5175	Maple Street, 1200	140
5183	Center Street, 1000-1200	61
5191	Northampton Street, 700- 800	7
5278	E Walnut Street, 000-400	2,024
5299	N Franklin Street, 100	172
5308	N 14th Street, 200-300	278
5398	Ahead of Paving Project	5,280
5404	Municipal Project	500
5588	Forster Street, 400-500	200

Long Term Infrastructure Improvement Plan
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5657	Morgantown Road, 300	500
5738	St George Street, 100	269
5859	N Broad Street, 800	395
5875	N 3rd Street, 3000	365
5956	Penn Avenue, 3700-3800	1,300
5957	Lafayette Street, 700	741
5958	Rodney Street, 000	379
5962	E New Street, 100	200
5963	Blue Ridge Drive, 1900	1,000
5970	N 3rd Street, 100	561
6005	N 39th Street, 000	355
6033	Church Street, 300-400	273
6034	N 27th Street, 000	469
6314	Princeton Avenue, 2100	400
6317	E 4th Street, 000-500	2,003

CERTIFICATE OF SERVICE

UGI Utilities, Inc. – Gas Division

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

VIA FIRST CLASS MAIL

Bureau of Investigation &, Enforcement
Commonwealth Keystone Building
400 North Street, 2nd Floor West
PO Box 3265
Harrisburg, PA 17105-3265

Birch, Horton, Bittner and Cherot
Suite 1200
1155 Connecticut Avenue, NW
Washington, DC 20036
Alumax Mill Products, Inc.

Office of Consumer Advocate
555 Walnut Street
Forum Place, 5th Floor
Harrisburg, PA 17101-1923

David M. Kleppinger
McNees Wallace & Nurick LLC
100 Pine Street
PO Box 1166
Harrisburg, PA 17108-1166
UGI Industrial Intervenors

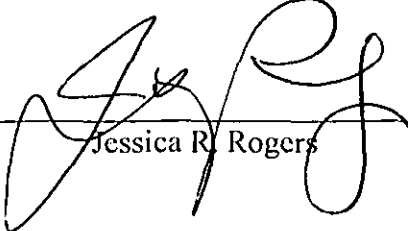
Office of Small Business, Advocate
300 North Second Street, Suite 1102
Harrisburg, PA 17101

Kenneth Ziclonis
Stevens & Lee, P.C.
17 North Second Street, 16th Floor
Harrisburg, PA 17101
UGI Transportation Customer Group

RECEIVED

DEC 12 2013
PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

Date: December 12, 2013



Jessica R. Rogers