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File #: 171714

March 8, 2018

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: Joint Application of UGI Utilities, Inc., UGI Penn Natural Gas, Inc., and UGI Central Penn Gas, Inc. for All of the Necessary Authority, Approvals, and Certificates of Public Convenience for (1) an Agreement and Plan of Merger; (2) the Merger of UGI Penn Natural Gas, Inc. and UGI Central Penn Gas, Inc. into UGI Utilities, Inc.; (3) the initiation by UGI Utilities, Inc. of natural gas service in all territory in this Commonwealth where UGI Penn Natural Gas, Inc. and UGI Central Penn Gas do or may provide natural gas service; (4) the abandonment by UGI Penn Natural Gas, Inc. of all natural gas service in this Commonwealth; (5) the abandonment by UGI Central Penn Gas, Inc. of all natural gas service in this Commonwealth; (6) the adoption by UGI Utilities, Inc. of UGI Penn Natural Gas, Inc.'s and UGI Central Penn Gas, Inc.'s Existing Tariffs and their Application within New Service and Rate Districts of UGI Utilities, Inc. Corresponding to their Existing Service Territories as UGI North and UGI Central, Respectively; (7) the adoption by UGI Utilities of its Existing Tariff to be applied to a new UGI South Service and Rate District; (8) Where Necessary, Associated Affiliated Interest Agreements; and (9) any Other Approvals Necessary to Complete the Contemplated Transaction
Docket No. A-2018-_____

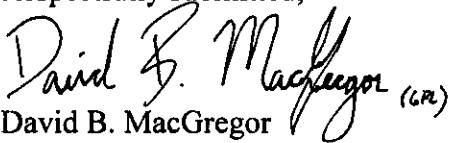
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MAR - 8 PH 3:29
PA PUC
SECRETARY'S BUREAU
FRONT DESK

Dear Secretary Chiavetta:

Enclosed for filing, please find the Joint Application of UGI Utilities, Inc., UGI Penn Natural Gas, Inc. and UGI Central Penn Gas, Inc. In addition, enclosed is a check in the amount of \$350.00 for the filing fee. Copies will be provided as indicated on the Certificate of Service.

Rosemary Chiavetta, Secretary
March 8, 2018
Page 2

Respectfully submitted,

 (G.R.)

David B. MacGregor

DBM/skr

Enclosures

cc: Certificate of Service

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Joint Application of UGI Utilities, Inc., :
UGI Penn Natural Gas, Inc., and UGI :
Central Penn Gas, Inc. for All of the : Docket No. A-2018-_____ :
Necessary Authority, Approvals, and :
Certificates of Public Convenience for (1) :
an Agreement and Plan of Merger; (2) the :
Merger of UGI Penn Natural Gas, Inc. and :
UGI Central Penn Gas, Inc. into UGI :
Utilities, Inc.; (3) the initiation by UGI :
Utilities, Inc. of natural gas service in all :
territory in this Commonwealth where UGI :
Penn Natural Gas, Inc. and UGI Central :
Penn Gas do or may provide natural gas :
service; (4) the abandonment by UGI Penn :
Natural Gas, Inc. of all natural gas service :
in this Commonwealth; (5) the :
abandonment by UGI Central Penn Gas, :
Inc. of all natural gas service in this :
Commonwealth; (6) the adoption by UGI :
Utilities, Inc. of UGI Penn Natural Gas, :
Inc.'s and UGI Central Penn Gas, Inc.'s :
Existing Tariffs and their Application :
within New Service and Rate Districts of :
UGI Utilities, Inc. Corresponding to their :
Existing Service Territories as UGI North :
and UGI Central, Respectively; (7) the :
adoption by UGI Utilities of its Existing :
Tariff to be applied to a new UGI South :
Service and Rate District; (8) Where :
Necessary, Associated Affiliated Interest :
Agreements; and (9) any Other Approvals :
Necessary to Complete the Contemplated :
Transaction :

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MAR 08 2018

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

**JOINT APPLICATION OF
UGI UTILITIES, INC., UGI PENN NATURAL GAS, INC.,
AND UGI CENTRAL PENN GAS, INC.**

I. INTRODUCTION

1. By this Application, UGI Utilities, Inc. (“UGI Utilities”), UGI Penn Natural Gas, Inc. (“PNG”), and UGI Central Penn Gas, Inc. (“CPG”) (hereinafter, collectively, the “Applicants”) hereby request all necessary authority, approvals and certificates of public convenience from the Pennsylvania Public Utility Commission (the “Commission”) pursuant to Sections 1102(a)(1)-(3), 2102(a), and 2210 of the Public Utility Code (“Code”), 66 Pa. C.S. §§ 1102(a)(1)-(3), 2102(a), and 2210, authorizing: (1) an Agreement and Plan of Merger; (2) the merger of PNG and CPG with and into UGI Utilities; (3) the initiation by UGI Utilities, Inc. of natural gas service in all territory in this Commonwealth where UGI Penn Natural Gas, Inc. and UGI Central Penn Gas do or may provide natural gas service; (4) the abandonment by UGI Penn Natural Gas, Inc. of all natural gas service in this Commonwealth; (5) the abandonment by UGI Central Penn Gas, Inc. of all natural gas service in this Commonwealth; (6) adoption by UGI Utilities of PNG’s and CPG’s existing tariffs and their application within new service and rate districts of UGI Utilities corresponding to their existing service territories as UGI North and UGI Central, respectively; (7) the adoption by UGI Utilities of its Existing Tariff to be applied to a new UGI South Service and Rate District; and (8) to the extent necessary, associated affiliated interest agreements. The Applicants further seek all other approvals and certificates appropriate, customary, or necessary under the Code to carry out the transactions contemplated in this Application in a lawful manner. The Applicants request further that the Commission grant these authorizations by no later than August 23, 2018, so that the merger may close and become effective October 1, 2018, the beginning of UGI Utilities’ fiscal and tax years.

2. The complete names and addresses of the Applicants are as follows:

UGI Utilities, Inc.
2525 N. 12 Street
Reading, PA 19482

UGI Penn Natural Gas, Inc.
2525 N. 12 Street
Reading, PA 19482

UGI Central Penn Gas, Inc.
2525 N. 12 Street
Reading, PA 19482

The attorneys for Applicants are:

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Garrett P. Lent (ID # 321566)
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The Applicants' attorneys are authorized to receive all notices and communications regarding this Application.

3. This Application seeks certain approvals from the Commission associated with the proposed merger of PNG and CPG with and into UGI Utilities (the "Proposed Transaction"). The proposed transaction will be effectuated pursuant to an Agreement and Plan of Merger, attached hereto as "Appendix A".

4. As further explained in this Application, the proposed transaction will result in numerous affirmative benefits, including, but not limited to: the unification of three affiliated natural gas distribution companies into one company; increased uniformity of system operations and processes; and increased administrative, managerial, and operational efficiencies.

5. The Application is organized as follows:

- Section II provides a description of the Applicants and other related entities;
- Section III provides an overview of the Proposed Transaction;
- Section IV provides an overview of the post-merger operation of the merged companies;
- Section V sets forth the legal standards applicable to the approvals requested in the Application;
- Section VI demonstrates that the Proposed Transaction is in the public interest and should be approved;
- Section VII addresses the effect of the Proposed Transaction on retail gas competition and employees;
- Section VIII addresses certain affiliated interest agreements;
- Section IX sets forth the other regulatory approvals required;
- Section X sets forth additional supporting data;
- Section XI addresses notice of the Application; and
- Section XII sets forth the conclusion and requested approvals.

6. The Applicants submit, as explained in more detail herein, that all criteria necessary for granting of the required approvals pursuant to the Code have been met, and the Application therefore should be approved without conditions to or modification of the Proposed Transaction.

II. THE APPLICANTS AND RELATED ENTITIES

A. UGI UTILITIES, INC.

7. UGI Utilities is a corporation organized and existing under the laws of the Commonwealth of Pennsylvania. UGI Utilities is a wholly-owned direct subsidiary of UGI Corporation.

8. UGI Utilities began its modern corporate existence as part of a consolidation of a number of predecessor natural gas and electric public utilities into The United Gas Improvement Company, as approved by the Commission on June 16, 1952, at Docket No. A.78264. In 1968, The United Gas Improvement Company changed its name to UGI Corporation. In 1971, UGI Corporation's gas operations were consolidated into a gas division headquartered in Reading, Pennsylvania. In 1992, as part of a further corporate restructuring, UGI Corporation changed its name to UGI Utilities, and became a wholly-owned subsidiary of a new holding company which adopted the name UGI Corporation.

9. UGI Utilities is a "public utility" as defined in Section 102 of the Code, 66 Pa. C. S. § 102, that operates two public utility divisions – UGI Utilities, Inc. – Gas Division ("UGI Gas"), and UGI Utilities, Inc. – Electric Division ("UGI Electric").¹

10. UGI Gas is a "natural gas distribution company" and a "supplier of last resort" as defined in Sections 2202 and 2207 of the Code. 66 Pa. C.S. § 2202, 2207.

11. UGI Gas provides natural gas distribution service to approximately 386,000 customers throughout a service territory which includes all or portions of sixteen counties. A list of communities served by UGI Gas and a service territory map are attached as "Appendix B."

12. All of the annual reports, tariffs, certificates, applications, and other documents filed with the Commission by UGI Gas are made a part hereof by reference. An income statement and balance sheet for UGI Gas as of September 30, 2017 are attached as "Appendix C."

¹ UGI Electric is an "electric distribution company" and a "default service provider" as defined in Section 2803 of the Code. 66 Pa. C.S. § 2803.

13. Following the merger, current UGI Gas will become the UGI South rate district of the new, consolidated UGI Gas, and will continue to provide natural gas distribution service within its service area and apply its existing Commission-approved gas service tariff therein.

14. UGI Gas has paid all special and general assessments made pursuant to 66 Pa. C.S. § 510. Following the merger, UGI Utilities will be responsible for the payment of any and all lawful special and general assessments related to the operation of the UGI South rate district for purposes of 66 Pa. C.S. § 510.

B. UGI PENN NATURAL GAS, INC.

15. PNG is a corporation organized and existing under the laws of Commonwealth of Pennsylvania. PNG is a wholly-owned subsidiary of UGI Utilities.

16. PNG began its operations on August 24, 2006, following UGI Utilities' purchase from Southern Union Company of the Pennsylvania natural gas distribution company known as PG Energy Division of Southern Union Company, as authorized by a Commission Order entered on August 18, 2006, at Docket Nos. A-125146F5000 et al..

17. PNG is a "public utility," a "natural gas distribution company," and a "supplier of last resort" as defined in Sections 102, 2202, and 2207 of the Code. 66 Pa. C.S. §§ 102, 2202, 2207.

18. PNG provides natural gas distribution service to approximately 168,000 customers throughout its certificated service territory, which includes all or portions of thirteen counties. A list of communities served by PNG and a service territory map are attached as "Appendix D."

19. All of the annual reports, tariffs, certificates, applications, and other documents filed with the Commission by PNG are made a part hereof by reference. An income statement and balance sheet for PNG as of September 30, 2017 are attached as "Appendix E."

20. Following the merger, PNG will become a natural gas distribution service and rate district (“UGI North”) of UGI Gas, and will continue to provide natural gas distribution service within the former PNG service territory through application of PNG’s then existing tariff that UGI Gas will adopt and apply within the UGI North rate district.

21. PNG has paid all special and general assessments made against it pursuant to 66 Pa. C.S. § 510. Following the merger, UGI Utilities will be responsible for the payment of any and all lawful special and general assessments related to the operation of the UGI North rate district (formerly PNG) for purposes of 66 Pa. C.S. § 510.

C. UGI CENTRAL PENN GAS, INC.

22. CPG is a corporation organized and existing under the laws of the Commonwealth of Pennsylvania. CPG is a wholly-owned subsidiary of UGI Utilities.

23. CPG, formerly PPL Gas Utilities Corporation, was acquired by UGI Utilities effective October 1, 2008, as authorized by a Commission Order entered on August 21, 2008, at Docket Nos. A-2008-2034045 *et al.* Prior to that acquisition, PPL Gas itself was the result of several mergers and acquisitions authorized by the PUC. *See, e.g., Joint application of PPL Gas Utilities Corp., North Penn Gas Company, and PFG Gas, Inc.,* Docket Nos. A-125127, *et al.*, 2004 Pa. PUC LEXIS 757 (Order entered July 12, 2004); *Application of Allied Gas Company et al.*, Docket No. A-120650F002 (order approving merger and restructuring entered January 27, 1995).

24. CPG is a “public utility,” a “natural gas distribution company,” and a “supplier of last resort” as defined in Sections 102, 2202, and 2207 of the Code. 66 Pa. C.S. §§ 102, 2202, 2207.

25. CPG provides natural gas distribution service to approximately 85,000 customers throughout its certificated service territory, which includes all or portions of thirty-six counties. A list of communities served by CPG and a service territory map are attached as “Appendix F.”

26. All of the annual reports, tariffs, certificates, applications, and other documents filed with the Commission by CPG are made a part hereof by reference. An income statement and balance sheet for CPG as of September 30, 2017 are attached as “Appendix G.”

27. Following the merger, CPG will become a natural gas distribution service and rate district (“UGI Central”) of UGI Gas, which will continue to provide natural gas distribution service within the former CPG service territory through application of CPG’s then existing tariff that UGI Gas shall adopt and apply within the UGI Central rate district.

28. CPG has paid all special and general assessments made against it pursuant to 66 Pa. C.S. § 510. Following the merger, UGI Utilities will be responsible for the payment of any and all lawful special and general assessments related to the operation of the UGI Central rate district (formerly CPG) for purposes of 66 Pa. C.S. § 510.

D. UGI CORPORATION

29. UGI Corporation is a corporation organized and existing under the laws of the Commonwealth of Pennsylvania.

30. Headquartered in King of Prussia, Pennsylvania, UGI Corporation is a holding company that, through its subsidiaries, distributes, stores, transports and markets energy products and related services, both domestically and internationally.

31. Attached as “Appendix H” is an organizational chart showing UGI Corporation and its relevant domestic subsidiaries as of February 5, 2018.

III. DESCRIPTION OF THE PROPOSED TRANSACTION

32. Through this Proposed Transaction, the Applicants propose, through a one-step merger, to merge PNG and CPG with and into UGI Utilities, with UGI Utilities being the surviving entity. Upon closing, all of the assets of PNG and CPG will be owned by UGI Utilities, and the UGI Gas Division of UGI Utilities will have three rate districts: UGI South (formerly UGI Gas), UGI North (formerly PNG) and UGI Central (formerly CPG). Because UGI CPG and UGI PNG will be merged into UGI Utilities, with UGI Utilities being the surviving entity, UGI Utilities will therefore acquire all the service rights and certificates of public convenience of UGI CPG and UGI PNG and ownership interests in UGI CPG's and UGI PNG's property.

33. Therefore, UGI Utilities seeks to amend its certificate of public convenience issued at Docket No. A-123100 to include the service territories of UGI CPG and UGI PNG. Relatedly, UGI CPG requests to abandon its certificates of public convenience issued at: Docket Nos. A-125127, et al. (wherein the PPL Gas territory was established as the result of several mergers); Docket No. A-2008-2034045 (wherein UGI CPG acquired all PPL Gas stock and initiated service in its service territory); Docket Nos. A-2010-2202545 et al. (wherein UGI CPG was authorized to provide natural gas service in additional portions of Northumberland, Lycoming and Luzerne Counties); and Docket No. A-2013-2397685 (wherein UGI CPG was authorized to provide natural gas service in Wyoming Borough, Luzerne County, Pennsylvania). UGI PNG also requests to abandon its certificates of public convenience issued at: Docket No. A-125146F5000 (wherein UGI PNG was authorized to provide natural gas service); Docket No. A-125146F0002 (wherein UGI PNG was authorized to provide natural gas service in Lehman Township, Pike County, Pennsylvania); Docket Nos. A-2010-2202545 et al. (wherein UGI CPG was authorized to provide natural gas service in additional portions of Clinton, Union and

Luzerne Counties); Docket No. A-2014-2408732 (wherein UGI PNG was authorized to provide natural gas service in Canaan Township, Wayne County, Pennsylvania); and Docket No. A-2017-2631919 (wherein UGI PNG was authorized to provide natural gas service in Waymart Borough, Wayne County, Pennsylvania).

34. The proposed transaction will be effectuated pursuant to an Agreement and Plan of Merger, attached hereto as “Appendix A” hereto.

35. A map of the combined service territory with each of the separate rate districts is provided as “Appendix I.”

36. Attached as “Appendix J” is a *pro forma* organizational chart showing UGI Corporation’s principal subsidiaries following the closing of the Proposed Transaction.

37. Attached as “Appendix K” are a *pro forma* income statement and balance sheet for the combined companies following completion of the merger.

IV. POST-MERGER OPERATION AND RATES

38. As noted above, upon Commission approval of this application and the completion of the merger, UGI Gas, PNG, and CPG will become separate rate districts of UGI Gas.²

39. UGI Utilities will seamlessly continue to provide natural gas distribution service and supplier coordination services to existing and new customers and natural gas suppliers within the former service territories of UGI Gas, PNG, and CPG through the application of the then existing tariffs, which UGI Utilities shall adopt and apply within the corresponding rate districts.

² Following the merger, UGI Electric will continue to operate as a separate division of UGI Utilities with its own tariff and will separately continue to comply with all Commission regulations.

40. Following the closing of the merger, UGI Utilities will, pending the Commission's approval of further consolidation in future proceedings, maintain and, as appropriate, separately file the following for the UGI South, UGI North, and UGI Central service and rate districts, such as:

- a. Purchased gas cost portfolios and rates;
- b. Energy Efficiency and Conservation ("EE&C") programs³;
- c. Universal Service Program Budgets and targets;
- d. Growth Extension Tariff ("GET Gas") programs and reporting obligations;
- e. Lost and Unaccounted For studies and reports;
- f. Purchase of Receivable Program (UGI South);
- g. Choice program rules and requirements;
- h. Long-Term Infrastructure Programs ("LTIP");
- i. Distribution System Improvement Charges ("DSIC"), with the only change in operation being that UGI Gas will prospectively determine if DSIC re-sets under 66 Pa. C.S. §1358(b)(3) are required by reference to its consolidated quarterly financial reports; and
- j. State Tax Adjustment Surcharge rates.

41. Following Commission approval and the completion of the merger, UGI Utilities shall submit financial reports required under Chapter 71 of the Commission's regulations, annual reports required under 52 Pa. Code §59.48, and other regulatory reports on a consolidated basis.

42. In the future, UGI Gas, PNG, and CPG intend to submit revised LTIPs for Commission approval. This filing will include separate revised LTIPs for UGI Gas, CPG, and PNG as well as a *pro forma* consolidated LTIP for implementation beginning in January 1, 2019.

³ UGI North and UGI South only, as UGI Central does not yet have an approved EE&C program.

43. If this Application is not approved by January 1, 2019, UGI Gas, PNG and CPG shall continue to operate under separate revised LTIIPs, but switch to a consolidated LTIIP at such time as this Application is approved and the merger is completed.

44. As explained in Section VI below, merging the operations and management of UGI Gas, PNG, and CPG will improve the overall management and administrative efficiency of the merged utilities over time, consistent with the Companies' ongoing efforts to streamline, simplify and modernize its management structure and operations. While UGI Utilities, CPG, and PNG have achieved substantial inter-company efficiencies since coming under common management and control, additional operational efficiencies are expected to be realized through the Proposed Transaction by the elimination, over time, of inefficiencies related to separate administration and operations required while the individual companies remained separate corporate entities.

V. LEGAL STANDARDS AND APPROVALS REQUESTED

A. SECTIONS 1102(a) AND 1103

45. Section 1102(a)(3) of the Code, 66 Pa. C.S. §1102(a)(3), provides, in pertinent part, that the Commission's prior approval, evidenced by a certificate of public convenience, is required;

For any public utility or an affiliated interest of a public utility . . . to acquire from, or to transfer to, any person or corporation . . . by any method or devise whatsoever, including the sale or transfer of stock and including a consolidation, merger, sale or lease, the title to, or the possession or use of, any tangible or intangible property used or useful in the public service.

46. To provide direction for future applicants, the Commission issued a Statement of Policy on October 22, 1994, to establish standards regarding the circumstances under which a

transfer of voting interest constitutes a change in *de facto* control of the utility, which provides, in pertinent part, as follows:

- (1) A transaction or series of transactions resulting in a new controlling interest is jurisdictional when the transaction or transactions result in a different entity becoming the beneficial holder of the largest voting interest in the utility or parent, regardless of the tier. A transaction or series of transactions resulting in the elimination of a controlling interest is jurisdictional when the transaction or transactions result in the dissipation of the largest voting interest in the utility or parent, regardless of the tier.
- (2) For purposes of this section, a controlling interest is an interest, held by a person or group acting in concert, which enables the beneficial holders to control at least 20% of the voting interest in the utility or its parent, regardless of the remoteness of the transaction. In determining whether a controlling interest is present, voting power arising from a contingent right shall be disregarded.

52 Pa. Code § 69.901. Thus, Commission approval is required for any transaction that creates or eliminates a controlling interest and results in a different entity becoming the largest voting interest in a public utility company. The determination of the interests involved in a transaction considers all tiers of interest in the utility or parent of the utility and, thus, both direct and indirect ownership interests in a utility are considered under the Commission's Policy Statement.

47. There is no ultimate change in control resulting from the Proposed Transaction. UGI Utilities will continue to own all of the interests in all of the involved entities both before and after the restructuring, albeit now as part of a consolidated UGI Utilities rather than separate, wholly-owned subsidiaries of UGI Utilities. Further, ownership of UGI Utilities is wholly unaffected, as UGI Corporation will remain the owner of 100 percent of the common stock of UGI Utilities. Nevertheless, the Commission has concluded that internal reorganizations such as the one here are subject to review and approval under Section 1102(a)(3) of the Code. Specifically, the Commission stated:

Internal transactions usually involve corporate reorganizations which can have fundamental effect on the management and operations of a utility. Accordingly, we believe that the legislature intended that these transactions be subject to regulatory review under Section 1102(a)(3) to the extent they constitute a transfer of de facto control as defined by the policy statement heretofore issued. (emphasis added)

Policy Statement Regarding Interpretation of 66 Pa.C.S. § 1102(a)(3), Docket No. M-930490, 1994 Pa. PUC LEXIS 56 at *11 (Order entered September 13, 1994) (emphasis added).

48. Thus, according to the Commission's Policy Statement, the Proposed Transaction is subject to the provision of Section 1102(a)(3) because it will ultimately create new controlling interests in PNG and CPG.

49. Further, the Proposed Transaction will merge PNG and CPG with UGI Gas, which are all natural gas distribution companies certificated by the Commission. Under Section 1102(a)(3), a certificate of public convenience is required to merge or consolidate these natural gas distribution companies. In addition, as explained above, UGI Utilities will acquire all the service rights and certificates of public convenience of UGI CPG and UGI PNG and ownership interests in UGI CPG's and UGI PNG's property. As such, the Proposed Transaction is also subject to the provisions of Section 1102(a)(1) and (2) of the Code, 66 Pa. C.S. § 1102(a)(1) and (2), because it will result in the initiation of natural gas distribution service by UGI Utilities in the service territories of UGI CPG and UGI PNG and the simultaneous abandonment of natural gas distribution service by UGI CPG and UGI PNG.

50. Section 1103 of the Public Utility Code sets forth the procedure to obtain certificates of public convenience. Under Sections 1102 and 1103 of the Code, the Applicants must demonstrate that the party to whom the assets and service obligations are being transferred is legally, technically, and financially fit. *See Seaboard Tank Lines v. Pa. Pub. Util. Comm'n*, 502 A.2d 762, 764 (Pa. Cmwlth. 1985); *Warminster Township Mun. Auth. v. Pa. Pub. Util.*

Comm'n, 138 A.2d 240, 243 (Pa. Super. 1958). However, unlike a new utility seeking Commission certification for the first time, UGI Utilities is presumed to be technically, financially, and legally fit to provide natural gas services by virtue of its long-standing existence and service as a regulated and certificated natural gas utility in Pennsylvania. *South Hills Movers, Inc. v. Pa. Pub. Util. Comm'n*, 601 A.2d 1308 (Pa. Cmwlth. 1992); *Re Blue Bird Coach Lines, Inc.*, 72 PA PUC 262, 285-286 (1990); *Re V.I.P. Travel Services, Inc.*, 56 PA PUC 625, 631 (1982).

51. The Commission may issue a certificate of public convenience upon a finding that “the granting of such certificate is necessary or proper for the service, accommodation, convenience, or safety of the public.” 66 Pa. C.S. § 1103(a).

52. This standard requires the Commission to find that the Proposed Transaction will “affirmatively promote the service, accommodation, convenience, or safety of the public in some substantial way.” *City of York v. Pa. Pub. Util. Comm'n*, 295 A.2d 825, 828 (Pa. 1972). The “substantial public interest” standard is satisfied by a simple preponderance of the evidence of benefits, and such burden can be met by showing a likelihood or probability of public benefits that need not be quantified or guaranteed. *Popowsky v. Pa. Pub. Util. Comm'n*, 594 Pa. 583, 611, 937 A.2d 1040, 1057 (Pa. 2007). Further, the substantial public benefit test does not require that every customer receive a benefit from the Proposed Transaction. *Popowsky*, 937 A.2d at 1061. Moreover, in other cases, the Commission has determined that internal reorganizations resulting in no change in service or rates to customers can meet the required statutory standard. *See, e.g., Joint Application of PaeTec Communications, Inc. and Parklink Communications Systems, Inc.*, Docket Nos. A-310743 F0005 and A-310815 F0002 (Order entered April 17, 2000) (“the proposed merger will be completely seamless to ... existing customers in terms of

the service they will receive ... the proposed internal reorganization will have no adverse effect on [the] current provision of intrastate telecommunications services ... These advantages ensure the proposed merger satisfies the standards set by the *City of York v. Pa.P.U.C.* ...[and] that the merger provides an affirmative public benefit.”); *Joint Application of Pittsburgh Thermal et al.*, Docket Nos. A-130001 and A-130000 F0002 (Order entered September 1, 2000).

53. The substantial affirmative benefits of the Proposed Transaction are explained in Section VI of this Application.

B. CHAPTER 21

54. Under Section 2102 of the Code, Commission approval is required for any affiliated interest contract before it can become effective. 66 Pa. C.S. § 2102(a). Section 2101(a) defines an “affiliated interest” to include the following: “(1) Every corporation and person owning or holding directly or indirectly 5% or more of the voting securities of such public utility; and (2) Every corporation and person in any chain of successive ownership of 5% or more of voting securities.” 66 Pa. C.S. § 2101(a)(1)(2).

55. Under Section 2103, the Commission has continuing supervision and jurisdiction over affiliated interest contracts, including the “modification or amendment” of such contracts or agreements. 66 Pa. C.S. § 2103.

56. Sections 2102(b) and (c) provide the standard for Commission review of an affiliate interest agreement:

(b) Filing and Action on Contract.... The commission shall approve such contract or arrangement made or entered into after the effective date of this section only if it shall clearly appear and be established upon investigation that it is reasonable and consistent with the public interest. If at the end of 30 days after the filing of a contract or arrangement, no order of rejection has been entered, such contract or arrangement, whether written or unwritten, shall be deemed, in fact and law, to have been approved. The commission may, by written order, giving reasons therefor,

extend the 30-day consideration period. No such contract or arrangement shall receive the commission's approval unless satisfactory proof is submitted to the commission of the cost to the affiliated interest of rendering the services or of furnishing the property or service described herein to the public utility....

(c) Disallowances of Excessive Amounts.... If the commission shall determine that the amounts paid or payable under a contract or arrangement filed in accordance with this section are in excess of the reasonable price for furnishing the services provided for in the contract, or that such services are not reasonably necessary and proper, it shall disallow such amounts, insofar as found excessive, in any proceeding involving the rates or practices of the public utility. In any proceeding involving such amounts, the burden of proof to show that such amounts are not in excess of the reasonable price for furnishing such services, and that such services are reasonable and proper, shall be on the public utility.

66 Pa. C.S. § 2102(b) and (c).

57. The Agreement and Plan of Merger described above constitutes an affiliated interest agreement under Chapter 21 of the Code. Pursuant to Section 2102(a), Commission approval of the Agreement and Plan of Merger is required before that agreement can become effective.

58. As explained above, the Applicants seek Commission approval to merge PNG and CPG with and into UGI Utilities and, upon closing, to operate UGI Gas, PNG, and CPG as separate service and rate districts. The consolidated utility will continue to receive the same administrative and corporate services from UGI Corporation and its subsidiaries currently provided under existing affiliated interest agreements, which will remain in place unchanged following the closing of the Proposed Transaction. However, because the utility will be consolidated into separate service and rate districts of the UGI Gas division of UGI Utilities, the rate districts will no longer be separate companies and will no longer themselves be "affiliates" as defined in Chapter 21 of the Code. Therefore, these existing agreements will no longer be affiliated interest agreements after the merger and will terminate by operation of law.

59. The requirements of Section 2102 are addressed in Section VIII of this Application.

C. SECTIONS 2210(a)

60. Section 2210(a) of the Code provides as follows:

(a) General rule. --In the exercise of authority the commission otherwise may have to approve mergers or consolidations involving natural gas distribution companies or natural gas suppliers or the acquisition or disposition of assets or securities of natural gas distribution companies or natural gas suppliers, the commission shall consider:

(1) Whether the proposed merger, consolidation, acquisition or disposition is likely to result in anticompetitive or discriminatory conduct, including the unlawful exercise of market power, which will prevent retail gas customers from obtaining the benefits of a properly functioning and effectively competitive retail natural gas market.

(2) The effect of the proposed merger, consolidation, acquisition or disposition on the employees of the natural gas distribution company and on any authorized collective bargaining agent representing those employees.

66 Pa. C.S. § 2210(a).

61. The Proposed Transaction is subject to the provision of Section 2210 because it will merge PNG, and CPG into UGI Utilities, which are natural gas distribution companies certificated by the Commission.

62. Under Section 2210(a)(1) of the Code, the Commission is required to consider whether a proposed merger or consolidation of a natural gas distribution company is likely to result in anticompetitive or discriminatory conduct. 66 Pa. C.S. § 2210(a). Additionally, the Commission is required to consider the impact that a proposed merger or consolidation of a

natural gas distribution company may have on the employees of the natural gas distribution company. 66 Pa. C.S. § 2210(a)(2).

63. The requirements of Section 2210(a) are addressed in Section VII of this Application.

D. BURDEN OF PROOF

64. Section 332(a) of the Code provides that the party seeking a rule or order from the Commission has the burden of proof in that proceeding. 66 Pa. C.S. § 332(a). It is axiomatic that “[a] litigant’s burden of proof before administrative tribunals as well as before most civil proceedings is satisfied by establishing a preponderance of evidence which is substantial and legally credible.” *Samuel J. Lansberry, Inc. v. Pa. Pub. Util. Comm’n*, 578 A.2d 600, 602 (Pa. Cmwlth. 1990). The preponderance of evidence standard requires proof by a greater weight of the evidence. *Cmwlth. v. Williams*, 732 A.2d 1167 (Pa. 1999). Consequently, as the parties seeking relief, the Applicants bear the burden of proving that the Proposed Transaction satisfies the requirements of Sections 1102, 1103, 2102, and 2210.

65. Additionally, any finding of fact necessary to support an adjudication of the Commission must be based upon substantial evidence. *Met-Ed Indus. Users Group v. Pa. Pub. Util. Comm’n*, 960 A.2d 189, 193 n.2 (Pa. Cmwlth. 2008) (citing 2 Pa. C.S. § 704). Substantial evidence is such relevant evidence as a reasonable mind might accept as adequate to support a conclusion. *Borough of E. McKeesport v. Special/Temporary Civil Serv. Comm’n*, 942 A.2d 274, 281 (Pa. Cmwlth. 2008). The “presence of conflicting evidence in the record does not mean that substantial evidence is lacking.” *Allied Mechanical and Elec., Inc. v. Pa. Prevailing Wage Appeals Bd.*, 923 A.2d 1220, 1228 (Pa. Cmwlth. 2007) (citation omitted).

VI. THE PROPOSED TRANSACTION IS IN THE PUBLIC INTEREST AND SHOULD BE APPROVED

66. As set forth below, the Proposed Transaction will provide substantial affirmative public benefits and, therefore, should be approved.

67. Several benefits will accrue from the merger for the long-term benefit of the consolidated company's customers, including but not limited to: (a) increased administrative efficiency; (b) increased operational efficiency; (c) increased capital efficiency; and (d) increased regulatory efficiency. The proposed merger is a critical first step in order to achieve and realize these long-term future benefits.

68. UGI Gas, PNG, and CPG have been operating under one corporate umbrella since 2006 for PNG and 2008 for CPG, when PNG and CPG were acquired by UGI Utilities. During this time, major strides have been taken to combine the operations and administration of these separate natural gas utilities. These strides have included consolidation of all administrative and general, and most non-field and field management and executive functions for the three businesses into UGI Utilities. The proposed merger of these three utility companies into one company is fully consistent with the long-term goal of single company operation and the efficiencies that may be obtained therefrom. The proposed merger of UGI Gas, PNG, and CPG into one natural gas distribution company will produce its own efficiencies, as explained below, and will more formally reflect and incorporate the ongoing actual operations of these companies.

A. INCREASED ADMINISTRATIVE EFFICIENCY

69. Increased administrative efficiency is perhaps the most obvious of the benefits to consolidating the three utility companies into one company. These benefits will inure to the areas of accounting, cash management, procurement, and regulatory activities.

70. As separate utility companies, UGI Gas, CPG, and PNG are each required to: maintain separate books of account, income statements, and balance sheets; record separate transactions where each business renders service to the other and where each business deals with the same vendor for the same types of goods and services; and make numerous separate tax and regulatory filings. By merging the three entities into one consolidated UGI Gas division of UGI Utilities, Inc., only one set of books of accounts, income statements, and balance sheets will be needed, all of the current inter-company transactions among the gas businesses will be eliminated, layers of transactions between each of the three gas utilities with the same vendors will be reduced to single sets of transactions with UGI Utilities alone, and layers of regulatory and tax filings will be eliminated.

71. As discussed above, while some costs recovered through non-base rate cost recovery mechanisms (*e.g.*, DSIC-eligible plant, purchased gas costs, Universal Service Programs, EE&C, etc.) will initially need to be tracked by service and rate district, the efforts to do so are small compared to the time savings obtainable by the merger and would be eliminated through a uniform rate structure that the UGI Utilities would propose and the Commission would review in the future.

72. The proposed merger will result in increased administrative efficiency, which reduces the amount of time and effort spent by employees who work in the areas of accounting, cash management, procurement, and regulatory activities. This reduction in time allows the Company to focus these employees on improving the quality of the tasks being performed, work on other multi-year corporate improvement programs such as the Company's information technology modernization program or planning its longer-term infrastructure betterment

program, or to consolidate functions into a smaller group of employees than would be necessary otherwise. These efforts should result in a higher quality of service for customers.

73. Increased administrative efficiency will eventually reduce the manpower needed to perform each task in the areas of accounting, cash management, procurement, and regulatory activities. However, due to the increased requirements of the business over the next several years in areas such as information technology and gas distribution system improvements, it is not anticipated that any employees will be terminated as a result of the merger. The efficiencies gained from the merger will forestall, to a degree, the need to supplement existing workforce with new hires to handle that increased workload. All else being equal, these avoided incremental costs will result in a reduced magnitude of future rate increases.

B. INCREASED OPERATIONAL EFFICIENCY

74. The Proposed Transaction will also help the Company achieve its UGI-1 Initiative. UGI-1 is a company-wide improvement initiative focusing on people, tools and processes. The goal of UGI-1 is to create uniform practices and procedures across the UGI organization through technological and organizational improvement, which will then allow future business improvements to be developed more promptly and rolled-out more efficiently and effectively. While much has already been accomplished to create efficiencies related to people, tools and processes across the UGI organization to-date, the proposed merger is an important step in achieving the ultimate goals of the UGI-1 Initiative.

75. The proposed merger also opens the potential for increased coordination of the three gas distribution systems so that they act as one utility system rather than three distinct systems.

76. Examples of increased operational efficiency include the potential development of projects to implement more cost-effective system reinforcement projects where the existing

service territories of the three companies are close to one another but have not yet been interconnected.

77. Additionally, combining UGI Gas, CPG, and PNG will simplify future facility management system configurations as the operating division will be organized under a single corporate structure.

C. INCREASED CAPITAL EFFICIENCY

78. Currently, UGI Utilities provides for the cash requirements of UGI Utilities, CPG, and PNG. Cash requirements of CPG and PNG are, in part, met from funds loaned by UGI Utilities out of its cash reserves that are augmented by debt issued by UGI Utilities. These debt and financing arrangements have been approved by the Commission through the issuance of securities certificates and affiliate interest arrangements.

79. Post-merger, these arrangements will be eliminated and UGI Utilities will no longer need to address the capital requirements of the separate subsidiaries, and all capital requirements will be blended into one tier at UGI Utilities, thereby eliminating the need to service the subsidiary loan requirements.

D. REGULATORY EFFICIENCY

80. UGI Gas, CPG, and PNG currently interface with the Commission in triplicate across a broad spectrum of issues and matters. This includes a substantial number of annual, quarterly, and other periodic filings submitted to the Commission, including but not limited to: Annual Reports filed pursuant to 52 Pa. Code §59.48; Chapter 71 earnings reports; Chapter 73 depreciation reports; Purchased Gas Cost filings; and DSIC filings; LTIP filings; and Asset Optimization Plan filings.

81. Currently, each report and filing is separately made for UGI Gas, PNG and CPG. The need for multiple submissions places resource burdens on the three companies. It also

places burdens on several departments within the Commission staff to process, act upon, and to decide issues presented where formal action is required. These burdens are also realized by the statutory public parties.

82. The proposed merger is the first step to eliminate the need for multiple filings and reports to the Commission. Merging UGI Gas, PNG, and CPG into one gas utility will reduce the number of filings and reports required to be submitted, and reduce the amount of effort the Commission and public parties will need to expend to provide regulatory oversight of UGI Utility's natural gas distribution business.

83. As discussed above, while some filings (*e.g.*, DSIC-eligible plant, purchased gas costs, Universal Service Programs, EE&C, etc.) will initially need to be submitted separately for each rate district, the efforts to do so are small compared to the time savings obtainable by the merger and would be eliminated through future consolidated filings that the UGI Utilities would propose and the Commission would review in the future.

84. The proposed merger is the first step to improved regulatory efficiency that will benefit the Commission, UGI Utilities, and the collective customers it will serve.

VII. EFFECT OF PROPOSED TRANSACTION ON RETAIL COMPETITION AND EMPLOYEES

85. The Proposed Transaction will not result in anti-competitive or discriminatory conduct in the retail market for natural gas in Pennsylvania, nor will it have any adverse effect on the retail natural gas market in Pennsylvania.

86. As discussed above, all rates, terms and conditions that have an impact on retail competition in the service territories will remain unchanged in the initial tariffs through the implementation of the separate service and rate districts.

87. Under Section 2210(a)(2) of the Code, the Commission is also required to consider the impact that a proposed merger or consolidation of a natural gas distribution company may have on the employees of the natural gas distribution company. 66 Pa. C.S. § 2210(a)(2).

88. The proposed transaction will not have a significant impact on employees. Employees of CPG and PNG will become employees of UGI Utilities, but will not see any change in their salaries or employee benefit plans. Administrative personnel who may see some of their tasks streamlined as a result of the reduced number of businesses will be refocused to tasks which will enhance the quality and efficiency of service.

89. After the merger, UGI Utilities will continue to honor the requirements of all union collective bargaining agreements, and treat all union employees in accordance with the National Labor Relations Act and other legal requirements.

VIII. AFFILIATED INTEREST AGREEMENTS

90. The Agreement and Plan of Merger attached as Appendix A to this Application constitutes an affiliated interest agreement under Chapter 21 of the Code. Pursuant to Section 2102(a), Commission approval of the Agreement and Plan of Merger is required before that agreement can become effective. The Agreement and Plan of Merger was adopted and executed by each of the Applicants in accordance with the Pennsylvania Entity Transactions Law on February 27, 2018. As discussed above, the Agreement and Plan of Merger provides substantial benefits to each of the Applicants and their ratepayers by increasing the administrative, operational, capital and regulatory efficiency of the Applicants. *See* Section VI *supra*. Therefore, the Agreement and Plan of Merger is reasonable and in the public interest and, therefore, should be approved under Section 2102 of the Code. 66 Pa. C.S. § 2102.

91. When UGI Corporation was formed in the early 1990s as the parent company of UGI Utilities, UGI Utilities filed for and obtained approval of an Administrative Service Affiliated Interest Arrangement, which was approved in an order entered on May 21, 1992 at Docket No. G-00920296. The Administrative Service Affiliated Interest Arrangement covered the terms by which UGI Utilities could provide administrative services to or receive services from the UGI Corporation holding company “and its unregulated subsidiaries.” To this day, the Administrative Service Affiliated Interest Arrangement covers most of the interactions between the Applicants, the holding company, and its subsidiaries.

92. As the business evolved new interactions between UGI Utilities and its affiliates began to arise that were not covered by the 1992 Administrative Service Affiliated Interest Arrangement. Specifically, UGI Utilities sought and obtained approval of the following affiliated interest agreements: Insurance Services (Opinion and Order entered June 10, 1993 at Docket No. G-00930344); Gas Sales (Opinion and Order entered August 28, 1997 at Docket No. G-00970552); and Engineering Services (Secretarial letter dated July 1, 2003 at Docket No. G-00031008). These Commission-approved affiliated interest agreements provided for additional administrative and corporate services among the Applicants, the holding company, and its subsidiaries that were not previously addressed by 1992 Administrative Service Affiliated Interest Arrangement.

93. When UGI Utilities acquired the gas distribution assets now held by PNG from PG Energy Division of Southern Union Company, it also filed for and obtained approval to extend the existing affiliated interest agreements to PNG upon closing of the acquisition (Order entered on September 15, 2006 at Docket Nos. G-00061179, G-00061180, G-00061181 and G-00061182). Subsequently, PNG sought additional affiliated interest agreement approval for gas

supply transactions with affiliates (approved by way of a January 10, 2007 Secretarial Letter at Docket No. G-00061210) and for shared office space (Secretarial letter issued May 26, 2008 at Docket No. G-2007-2005763).

94. When UGI Utilities acquired CPG, formerly PPL Gas Utilities Corporation, it again received approval to extend the existing affiliated interest agreements that had been granted to PNG to CPG, and also asked for affiliated interest agreement approval for the sharing of CPG real estate (Opinion and Order entered August 21, 2008 at Docket Nos. A-2008-2034047; G-2008-2034115 and G-2008-2034132).

95. More recently, in an Order entered on June 14, 2017 at Docket Nos A-2016-2540640; G-2016-2540640; A-2016-2539979 and G-2016-2539961, the Commission approved, amongst other things, certain affiliated interest arrangements related to gas control services between UGI Gas, PNG and CPG on the one hand, and UGI Central Gas Control, LLC on the other hand.

96. Upon closing of the Proposed Transaction, PNG and CPG will be merged with and into UGI Utilities, and consolidated into the UGI Gas division. The consolidated utilities will continue to receive the same administrative and corporate services currently provided under existing affiliated interest agreements, which will remain in place unchanged following the closing of the Proposed Transaction.

97. Because the utilities will be merged, they will no longer be “affiliates” as defined in Chapter 21 of the Code. Therefore, these existing agreements will no longer be affiliated interest agreements after the merger and will no longer be subject to Chapter 21 of the Code, the Applicants do not believe that any Commission approval is required to terminate any existing

agreements by and between the Applicants. Nevertheless, to the extent that the Commission's approval is required, the Applicants request such approval.

98. With respect to the existing affiliated interest agreements between any of the Applicants and UGI Corporation or its subsidiaries, these agreements will remain in place and unchanged following the closing of the Proposed Transaction. Because these agreements will continue without any modification following the Proposed Transaction, the Applicants do not believe that any Commission approval is required to continue the existing affiliated interest agreements. Nevertheless, to the extent that the Commission's approval is required, the Applicants request such approval.

IX. OTHER REGULATORY APPROVALS

99. The Applications plan to complete the Proposed Transaction as soon as possible after all regulatory approvals have been obtained.

100. In addition to approval from this Commission, the Proposed Transaction also requires approval from the Maryland Public Service Commission ("MD PSC") and the Federal Energy Regulatory Commission ("FERC").

101. Authorization by the MD PSC is needed as a result of CPG's operation in Maryland where it serves approximately 520 customers in and around Emmitsburg, MD subject to MD PSC regulation.

102. FERC approval is necessary for UGI to assume the service territory designation that CPG currently holds under Section 7(f) of the Natural Gas Act ("NGA"), in connection with a transmission line it owns and operates across state lines between Columbia Gas Transmission in Pennsylvania and its Maryland operations.

103. FERC approval also may be necessary under Section 7(c) of the NGA, and required approvals will be sought to amend certain authorized service agreements to replace PNG and CPG in favor of UGI Utilities as the shipper.

104. FERC approval will also be required to transfer the approved operating conditions and rate authorizations currently held by PNG under its Order No. 63 certificate to UGI Utilities.

X. ADDITIONAL SUPPORTING DATA

105. The following Appendices, containing additional information in support of this Application, are attached hereto:

- Appendix A - The Agreement and Plan of Merger
- Appendix B – Map of UGI Gas Service Territory and List of Communities Served
- Appendix C – Income Statement and Balance Sheet for UGI Gas as of September 30, 2017
- Appendix D – Map of PNG Service Territory and List of Communities Served
- Appendix E – Income Statement and Balance Sheet for PNG as of September 30, 2017
- Appendix F – Map of CPG Service Territory and List of Communities Served
- Appendix G – Income Statement and Balance Sheet for CPG as of September 30, 2017
- Appendix H - Pre-Merger Corporate Organization Chart
- Appendix I – Map of Merged Service Territory
- Appendix J – *Pro Forma* Post-Merger Corporate Organization Chart
- Appendix K – *Pro Forma* Income Statement and Balance Sheet for Merged Companies

106. All annual reports, tariffs, certificates of public convenience, applications, securities certificates, and similar documents of the Applicants are made a part hereof by reference.

XI. NOTICE

107. A copy of this Application is being served on the Commission's Bureau of Investigation and Enforcement, the Office of Consumer Advocate, and the Office of Small Business Advocate.

108. The Applicants request that the Commission publish notice of this Application in the Pennsylvania Bulletin pursuant to 52 Pa. Code § 5.14(a).

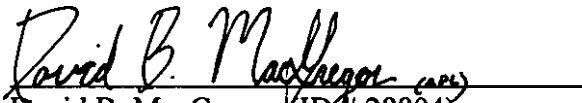
109. Pursuant to 52 Pa. Code § 5.14(b), the Applicants will provide additional notice or service of this Application as directed by the Commission's Secretary Bureau.

XII. CONCLUSION

WHEREFORE, for all the foregoing reasons, the Applicants respectfully request that the Pennsylvania Public Utility Commission grant all necessary and customary approvals and issue the necessary certificates of public convenience under the Public Utility Code to: (1) approve an Agreement and Plan of Merger; (2) merge PNG and CPG with and into UGI Utilities; (3) the initiation by UGI Utilities, Inc. of natural gas service in all territory in this Commonwealth where UGI Penn Natural Gas, Inc. and UGI Central Penn Gas do or may provide natural gas service; (4) the abandonment by UGI Penn Natural Gas, Inc. of all natural gas service in this Commonwealth; (5) the abandonment by UGI Central Penn Gas, Inc. of all natural gas service in this Commonwealth; (6) permit UGI Utilities to adopt PNG's and CPG's existing tariffs and apply the existing tariffs within the new service and rate districts of UGI Utilities corresponding

to the existing PNG and CPG service territories as UGI North and UGI Central, respectively; (7) the adoption by UGI Utilities of its Existing Tariff to be applied to a new UGI South Service and Rate District; (8) to the extent necessary, approve associated affiliated interest agreements; and (9) grant any other approvals or certificates appropriate, customary, or necessary under the Public Utility Code to carry out the transactions contemplated in this Application in a lawful manner.

Respectfully submitted,



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Date: March 8, 2018

Attorneys for Applicants UGI Utilities, Inc.,
UGI Penn Natural Gas, Inc., and
UGI Central Penn Gas, Inc.

Appendix A

The Agreement and Plan of Merger

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MAR 08 2018

**PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU**

AGREEMENT AND PLAN OF MERGER

OF

UGI PENN NATURAL GAS, INC.
(a Pennsylvania corporation)

AND

UGI CENTRAL PENN GAS, INC.
(a Pennsylvania corporation)

WITH AND INTO

UGI UTILITIES, INC.
(a Pennsylvania corporation)

This AGREEMENT AND PLAN OF MERGER (the "Agreement and Plan of Merger"), dated as of February 27, 2018, is by and among UGI Penn Natural Gas, Inc., a corporation organized and existing under the laws of the Commonwealth of Pennsylvania ("UGI PNG"), UGI Central Penn Gas, Inc., a corporation organized and existing under the laws of the Commonwealth of Pennsylvania ("UGI CPG") and UGI Utilities, Inc., a corporation organized and existing under the laws of the Commonwealth of Pennsylvania ("UGI Utilities" or the "Surviving Corporation"), with reference to the following recitals:

- A. UGI Utilities owns 100% of the issued and outstanding shares of each of UGI PNG and UGI CPG;
- B. The board of directors of UGI Utilities has adopted resolutions approving this Agreement and Plan of Merger in accordance with the Pennsylvania Entity Transactions Law, as amended (the "PETL");
- C. The approval of the boards of directors of UGI PNG and UGI CPG was not required in accordance with PETL §321(d)(3); and
- D. The approval of the sole shareholder of UGI Utilities was not required in accordance with PETL §321(d)(1)(i).

NOW, THEREFORE, the parties hereto, in consideration of the mutual covenants herein contained and intending to be legally bound, agree as follows:

1. Parties to Merger. UGI PNG, UGI CPG and UGI Utilities (such corporate parties to the merger being hereinafter sometimes referred to as the "Constituent Corporations") shall effect a merger (the "Merger") in accordance with and subject to the terms and conditions of this Agreement and Plan of Merger.

2. Merger; Governing Law. At the Effective Time (as defined in Section 3 hereof), each of UGI PNG and UGI CPG shall be merged with and into UGI Utilities, and the separate existence of each of UGI PNG and UGI CPG shall cease. The Surviving Corporation shall continue to be governed by the laws of the Commonwealth of Pennsylvania.

3. Filing and Effective Time. The Statement of Merger to be filed with the Department of State of the Commonwealth of Pennsylvania, and such other documents and instruments as are required by, and complying in all respects with the PETL, shall be delivered to the appropriate state official for filing. The Merger shall become effective on the date and at the time specified in the Statement of Merger filed with the Department of State of the Commonwealth of Pennsylvania (the "Effective Time"), provided, however, that no such filing shall be made prior to receipt of any necessary approvals from the Pennsylvania Public Utility Commission, the Public Service Commission of Maryland and the Federal Energy Regulatory Commission. In the event any necessary approval is not issued to the satisfaction of UGI Utilities, this Agreement and Plan of Merger shall terminate, without liability of either party to the other.

4. Articles of Incorporation. At the Effective Time, the Articles of Incorporation of UGI Utilities shall be and thereafter remain the Articles of Incorporation of the Surviving Corporation, until amended in accordance with applicable law.

5. Bylaws. At the Effective Time, the Bylaws of UGI Utilities shall be and thereafter remain the Bylaws of the Surviving Corporation until altered, amended or repealed in the manner therein provided in accordance with the Articles of Incorporation and Bylaws of the Surviving Corporation and applicable law.

6. Directors and Officers. At the Effective Time, the directors and the officers of UGI Utilities shall be the directors and the officers of the Surviving Corporation; each such director and officer shall hold office until his or her resignation or removal, in accordance with the Articles of Incorporation and Bylaws of the Surviving Corporation and applicable law.

7. Effect of Merger. At the Effective Time, the Merger shall have the effect set forth in Section 336 of the PETL and elsewhere therein, except as otherwise expressly set forth in this Agreement and Plan of Merger. Without limiting the generality of the foregoing, and subject thereto, at the Effective Time, all the properties, rights (including but not limited to rights as holders of any environmental covenants), privileges, powers and franchises of UGI PNG and UGI CPG, respectively, shall vest in the Surviving Corporation without reversion or impairment, and all debts, obligations, other liabilities and duties of UGI PNG and UGI CPG, respectively, shall become the debts, obligations, other liabilities and duties of the Surviving Corporation.

8. Further Assurances. If at any time the Surviving Corporation, or its successors or assigns, shall consider or be advised that any further assignments or assurances in law or any other acts are necessary or desirable to carry out the purposes of this Agreement and Plan of Merger, each of UGI PNG and UGI CPG and their proper officers and directors shall be deemed to have granted to the Surviving Corporation an irrevocable power of attorney to execute and deliver all such proper deeds, assignments and assurances in law and to do all acts necessary or proper to vest, perfect or confirm title to and possession of such rights, properties or assets in the Surviving Corporation and otherwise carry out the purposes of this Agreement and Plan of Merger, and the directors and officers of the Surviving Corporation are fully authorized in the name of UGI PNG and UGI CPG or otherwise to take any and all such action.

9. Capital Stock.

(a) At the Effective Time, each share of capital stock of UGI PNG issued and outstanding immediately prior to the Effective Time, by virtue of the Merger and without any action on the part of the holder thereof, shall be canceled and cease to exist.

(b) At the Effective Time, each share of capital stock of UGI CPG issued and outstanding immediately prior to the Effective Time, by virtue of the Merger and without any action on the part of the holder thereof, shall be canceled and cease to exist.

(c) At the Effective Time, each issued and outstanding share of capital stock of UGI Utilities shall continue to be issued and outstanding and shall represent shares of ownership of the Surviving Corporation.

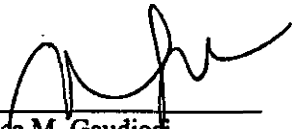
10. Amendment or Termination. This Agreement and Plan of Merger may be amended or terminated at any time prior to the Effective Time by agreement of the Constituent Corporations.

11. Counterparts. This Agreement and Plan of Merger may be executed in counterparts each of which shall be deemed an original and all of which together shall be considered one and the same agreement. The parties agree that a facsimile or PDF document may be executed as an original.


[Signature page to follow]

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement and Plan of Merger as of the day and year first written above.

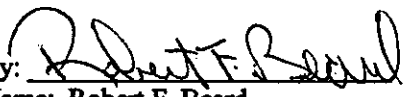
UGI PENN NATURAL GAS, INC.,
a Pennsylvania corporation

By: 
Name: Monica M. Gaudiosi
Title: Vice President and General Counsel, Secretary

UGI CENTRAL PENN GAS, INC.,
a Pennsylvania corporation

By: 
Name: Monica M. Gaudiosi
Title: Vice President and General Counsel, Secretary

UGI UTILITIES, INC.,
a Pennsylvania corporation

By: 
Name: Robert F. Beard
Title: President and Chief Executive Officer

[Signature Page to Agreement and Plan of Merger]

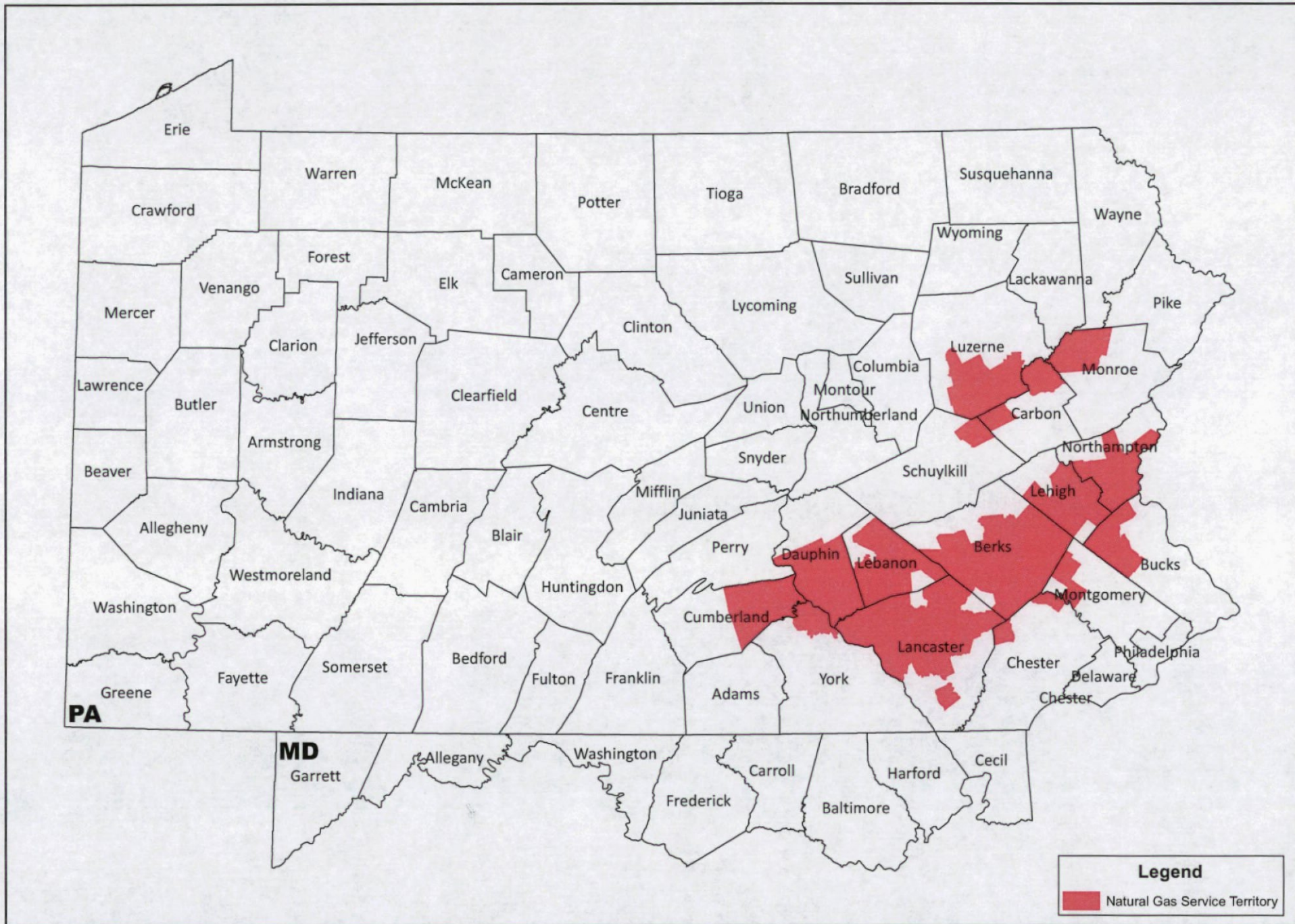
Appendix B
Map of UGI Gas Service Territory and List of Communities Served

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PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

Map of UGI Gas Service Territory



Legend
Natural Gas Service Territory

Description of Territory

WEST REGION

DAUPHIN COUNTY: CITY of Harrisburg; BOROUGHES of Dauphin, Highspire, Hummelstown, Middletown, Paxtang, Penbrook, Royalton and Steelton; TOWNSHIPS of Conewago, Derry (including Hershey), East Hanover, Londonderry, Lower Paxton, Lower Swatara, Middle Paxton, South Hanover, Susquehanna, Swatara and West Hanover.

CUMBERLAND COUNTY: BOROUGHES of Camp Hill, Carlisle, Lemoyne, Mechanicsburg, Mt. Holly Springs, New Cumberland, Shiremanstown, West Fairview, Wormleysburg; TOWNSHIPS of Dickinson, East Pennsboro, Hampden, Lower Allen, Middlesex, Monroe, North Middleton, Silver Spring, South Middleton and Upper Allen.

LEBANON COUNTY: CITY of Lebanon; BOROUGHES of Cleona, Cornwall, Myerstown, Palmyra and Richland; TOWNSHIPS of Annville, Bethel, Jackson, Millcreek, North Annville, North Cornwall, North Lebanon, North Londonderry, South Annville, South Lebanon, South Londonderry, Swatara, Union, West Cornwall, and West Lebanon.

YORK COUNTY: TOWNSHIPS of Fairview and Newberry

FRANKLIN COUNTY: Portions of TOWNSHIPS of Greene, Hamilton, and Letterkenny located in the Letterkenny Army Depot.

LANCASTER COUNTY: CITY of Lancaster; BOROUGHES of Adamstown (part), Akron, Columbia, Denver, East Petersburg, Elizabethtown, Ephrata, Lititz, Manheim, Marietta, Millersville, Mount Joy, Mountville, New Holland, Quarryville, and Strasburg; TOWNSHIPS of Brecknock, Caernarvon, Clay, Conoy, Earl, East Earl, East Cocalico, East Donegal, East Drumore, East Hempfield, East Lampeter, Ephrata, Lancaster, Leacock, Manheim, Manor, Mount Joy, Paradise, Penn, Pequea, Rapho, Strasburg, Upper Leacock, Warwick, West Cocalico, West Donegal, West Earl, West Hempfield and West Lampeter.

EAST REGION

BERKS COUNTY: CITY of Reading; BOROUGHES of Adamstown (part), Bally, Birdsboro, Boyertown, Fleetwood, Kenhorst, Kutztown, Laureldale, Leesport, Lyons, Mohnton, Mt. Penn, New Morgan, Robeson, St. Lawrence, Shillington, Sinking Spring, Topton, Wernersville, West Reading, Womelsdorf, Wyomissing and Wyomissing Hills; TOWNSHIPS of Alsace, Amity, Bern, Caernarvon, Colebrookdale, Cumru, Douglass, Exeter, Heidelberg, Hereford, Longswamp, Lower Alsace, Lower Heidelberg, Maiden Creek, Marion, Maxatawny, Muhlenberg, Ontelaunee, Perry, Richmond, Robeson, Rockland, Ruscombmanor, South Heidelberg, Spring, Union and Washington.

MONTGOMERY COUNTY: TOWNSHIPS of Douglass, New Hanover and a restricted area of Limerick Township.

CHESTER COUNTY: TOWNSHIPS of East Coventry (part), Honey Brook (part), and North Coventry (Part).

Description of Territory - Continued

EAST REGION (Continued)

LEHIGH COUNTY: CITIES of Allentown, Bethlehem (part); BOROUGHs of Alburtis, Catasauqua, Coopersburg, Coplay, Emmaus, Fountain Hill, Macungie, TOWNSHIPS of Hanover, Lower Macungie, North Whitehall, Salisbury, South Whitehall, Upper Macungie, Upper Milford, Upper Saucon, Weisenburg, and Whitehall.

NORTHAMPTON COUNTY: CITIES of Bethlehem (part), Easton; BOROUGHs of Bath, Freemansburg, Glendon, Hellertown, Nazareth, Northampton, North Catasauqua, Stockertown, Tatamy, West Easton, Wilson; TOWNSHIPS of Allen, Bethlehem, Bushkill, East Allen, Forks, Hanover, Lower Mount Bethel, Lower Nazareth, Lower Saucon, Palmer, Upper Nazareth, and Williams.

BUCKS COUNTY: BOROUGHs of Perkasie, Quakertown, Richlandtown, Riegelsville, Sellersville, Silverdale, Trumbauersville; TOWNSHIPS of Durham, East Rockhill, Haycock, Hilltown, Milford, Nockamixon, Richland, Springfield, and West Rockhill.

CARBON COUNTY: BOROUGH of East Side; TOWNSHIPS of Banks, Kidder and Packer.

LUZERNE COUNTY: CITY of Hazleton; BOROUGHs of Conyngham, Freeland, West Hazleton and White Haven; TOWNSHIPS of Butler, Dennison, Foster, Hazel, Hollenback (in part), and Sugarloaf.

MONROE COUNTY: BOROUGH of Mount Pocono; TOWNSHIPS of Chestnuthill, Coolbaugh, Paradise, Pocono, Tobyhanna and Tunkhannok.

SCHUYLKILL COUNTY: BOROUGH of McAdoo; TOWNSHIPS of East Union and Kline.

Appendix C

Income Statement and Balance Sheet for UGI Gas as of September 30, 2017

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PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

**Pre-Merger
UGI Utilities, Inc.
UGI Gas Division
Statement of Income
Year to Date: September 30, 2017**

\$ Thousands	UGI Gas Actual	Eliminations Actual	Total Actual
Revenues	\$ 463,587	\$ (4,865)	\$ 458,722
Cost of Sales	(201,990)	4,865	(197,126)
Gross Margin	261,596	-	261,596
Operations Expense	(103,162)	-	(103,162)
Miscellaneous Income	7,429	-	7,429
Total Expenses	(95,733)	-	(95,733)
EBITDA	165,863	-	165,863
Depreciation & Amortization	(38,990)	-	(38,990)
EBIT	126,873	-	126,873
Interest Expense	(18,952)	-	(18,952)
EBT	107,921	-	107,921
Taxes	(35,347)	-	(35,347)
Net Income	\$ 72,573	\$ -	\$ 72,573

**Pre-Merger
UGI Utilities, Inc.
UGI Gas Division
Consolidating Balance Sheet
September 30, 2017**

\$ Thousands	UGI Gas Actual	Eliminations Actual	Total Actual
Assets			
Cash (excluding restricted cash)	\$ 5,508	\$ -	\$ 5,508
Restricted Cash	1,884	-	1,884
A/R (net of reserves)	47,757	(23,087)	24,670
Inventory	30,211	-	30,211
Prepaid/Other	119,555	(99,414)	20,141
Total Current Assets (excl cash)	197,523	(122,501)	75,022
PP&E	1,726,065	-	1,726,065
Less: Accum. Depreciation	(495,571)	-	(495,571)
Net PP&E	1,230,494	-	1,230,494
Goodwill	-	-	-
Regulatory / Other Assets	1,047,946	(813,479)	234,467
Total Other Assets	1,047,946	(813,479)	234,467
Total Assets	\$ 2,483,355	\$ (935,980)	\$ 1,547,375
Liabilities & Equity			
Accounts Payable	\$ 54,454	\$ (23,087)	\$ 31,367
Other Accrued Expenses	66,393	-	66,393
Total Current Liabilities	120,847	(23,087)	97,760
Total Deferred Credits	525,206	(423,505)	101,701
Total Debt	923,046	(99,164)	823,882
Equity (Excl. OCI)	943,464	(390,224)	553,240
Total Capitalization	1,866,510	(489,388)	1,377,122
OCI	(29,208)	-	(29,208)
Total Liabilities & Equity	\$ 2,483,355	\$ (935,980)	\$ 1,547,375

Appendix D
Map of PNG Service Territory and List of Communities Served

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PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

UGI PENN NATURAL GAS, INC.

Description of Territory - Continued

MONTOUR COUNTY

Borough

Danville

Townships

Cooper
Limestone

Mahoning

Valley

NORTHUMBERLAND COUNTY

City

Sunbury

Boroughs

Milton
Northumberland

Riverside
Turbotville

Watsontown

Townships

Delaware
Lewis Twp.

Point
Turbot

Upper Augusta
West Chillisquaque

PIKE COUNTY

Boroughs

Milford

Townships

Lehman
Dingman

Milford

Westfall

SNYDER COUNTY

Boroughs

Selinsgrove

Shamokin Dam

Townships

Middlecreek

Monroe

Penn

Appendix E

Income Statement and Balance Sheet for PNG as of September 30, 2017

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**PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU**

**Pre-Merger
UGI Utilities, Inc.
UGI Penn Natural Gas, Inc.
Statement of Income
Year to Date: September 30, 2017**

\$ Thousands	UGI PNG Actual	Eliminations Actual	Total Actual
Revenues	\$ 212,536	\$ -	\$ 212,536
Cost of Sales	(84,514)	-	(84,514)
Gross Margin	128,021	-	128,021
Operations Expense	(61,829)	-	(61,829)
Miscellaneous Income	247	-	247
Total Expenses	(61,582)	-	(61,582)
EBITDA	66,440	-	66,440
Depreciation & Amortization	(17,358)	-	(17,358)
EBIT	49,082	-	49,082
Interest Expense	(12,699)	-	(12,699)
EBT	36,382	-	36,382
Taxes	(18,822)	-	(18,822)
Net Income	\$ 17,560	\$ -	\$ 17,560

**Pre-Merger
UGI Utilities, Inc.
UGI Penn Natural Gas, Inc.
Consolidating Balance Sheet
September 30, 2017**

\$ Thousands	UGI PNG Actual	Eliminations Actual	Total Actual
Assets			
Cash (excluding restricted cash)	\$ 1,687	\$ -	\$ 1,687
Restricted Cash	834	-	834
A/R (net of reserves)	22,185	(2,691)	19,494
Inventory	13,520	-	13,520
Prepaid/Other	3,723	-	3,723
Total Current Assets (excl cash)	39,428	(2,691)	36,737
PP&E	884,021	-	884,021
Less: Accum. Depreciation	(286,157)	-	(286,157)
Net PP&E	597,864	-	597,864
Goodwill	161,726	-	161,726
Regulatory / Other Assets	69,183	-	69,183
Total Other Assets	230,909	-	230,909
Total Assets	\$ 870,722	\$ (2,691)	\$ 868,031
Liabilities & Equity			
Accounts Payable	\$ 22,248	\$ (2,691)	\$ 19,557
Other Accrued Expenses	30,371	(211)	30,160
Total Current Liabilities	52,619	(2,902)	49,717
Total Deferred Credits	197,927	284,714	482,641
Total Debt	87,456	-	87,456
Equity (Excl. OCI)	532,640	(284,503)	248,137
Total Capitalization	620,096	(284,503)	335,593
OCI	80	-	80
Total Liabilities & Equity	\$ 870,722	\$ (2,691)	\$ 868,031

Appendix F

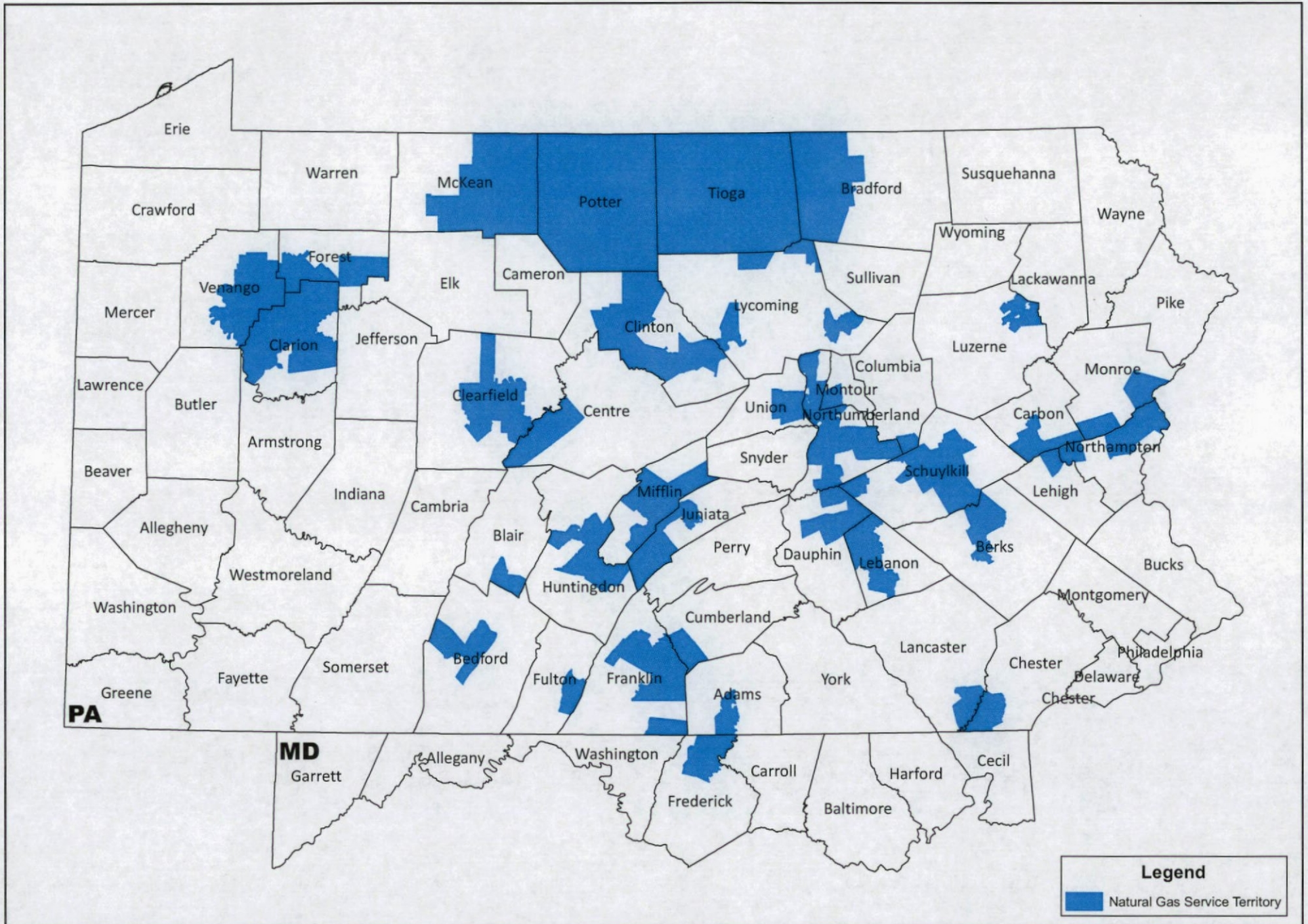
Map of CPG Service Territory and List of Communities Served

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PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

Map of UGI CPG Service Territory



UGI CENTRAL PENN GAS, INC.

Description of Territory

ADAMS COUNTY

Townships

Cumberland Freedom

ARMSTRONG COUNTY

Cities

Parker

BEDFORD COUNTY

Boroughs

Bedford Everett

Townships

Bedford Monroe Snake Spring Valley
Colerain Napier West Providence

BERKS COUNTY

Boroughs

Hamburg Shoemakersville Leesport Centerpoint (C)

Townships

Centre Perry Tilden Windsor (C)
Jefferson

BLAIR COUNTY

Boroughs

Martinsburg Roaring Spring

Townships

Huston North Woodbury Taylor Woodbury

BRADFORD COUNTY

Boroughs

Alba Canton Sylvania Troy
Burlington

Townships

Armenia Columbia Ridgebury Troy
Burlington Granville Smithfield Wells
Canton LeRoy South Creek West Burlington
Springfield Ulster

(C) Indicates Change

Issued: December 27, 2011

Effective for Service Rendered on and after
December 28, 2011

UGI CENTRAL PENN GAS, INC.

Description of Territory

CARBON COUNTY

Boroughs

Bowmanstown Jim Thorpe	Lehighton	Palmerton	Weissport
---------------------------	-----------	-----------	-----------

Townships

East Penn	Lower Towamensing	Mahoning (part)
-----------	-------------------	-----------------

CENTRE COUNTY

Boroughs

Philipsburg	South Philipsburg
-------------	-------------------

Townships

Rush

CHESTER COUNTY

Boroughs

Oxford

Townships

East Nottingham Elk	Lower Oxford	Upper Oxford	West Nottingham
------------------------	--------------	--------------	-----------------

CLARION COUNTY

Boroughs

Callensburg	Silgo		(C)
-------------	-------	--	-----

Townships

Ashland	Highland	Monroe	Salem
Beaver	Knox	Paint	Toby
Clarion	Licking	Perry	Washington
Elk	Limestone	Piney	
Farmington	Millcreek	Richland	

CLEARFIELD COUNTY

Boroughs

Chester Hill Clearfield and Environs	Curwensville	Wallaceton
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(C) Indicates Change

Issued: December 27, 2011

Effective for Service Rendered on and after
December 28, 2011

UGI CENTRAL PENN GAS, INC.

Description of Territory

Townships

Boggs	Decatur	Lawrence	Pike
Bradford	Knox	Morris	

CLINTON COUNTY

Cities

Lock Haven

Boroughs

Avis	Flemington	Renovo	South Renovo
Beech Creek	Mill Hall		

Townships

Allison	Bald Eagle	Chapman	Noyes
Beech Creek (portion)	Castanea Wayne	Dunnstable Woodward	Pine Creek

(C)

COLUMBIA COUNTY

Boroughs

Centralia

Townships

Conyngham

CUMBERLAND COUNTY

Boroughs

Shippensburg

Townships

Shippensburg	Southampton
--------------	-------------

(C)

DAUPHIN COUNTY

Townships

Jackson	Jefferson	Lykens	Rush
Williams			

(C)

(C)

(C)

FOREST COUNTY

Boroughs

Tionesta

Townships

Barnett	Harmony	Tionesta
Green	Jenks	

(C) Indicates Change

UGI CENTRAL PENN GAS, INC.

Description of Territory

FRANKLIN COUNTY

Boroughs

Orrstown Shippensburg Waynesboro

Townships

Greene Guilford Southampton Washington
(portion) (portion)

FULTON COUNTY

Boroughs

McConnellsburg

Townships

Ayr (portion) Todd

HUNTINGDON COUNTY

Boroughs

Huntingdon Mapleton Mill Creek Mount Union

Townships

Brady Juniata Shirley Union
Henderson Oneida Smithfield Walker

JEFFERSON COUNTY

Boroughs

Summerville

Townships

Barnett

JUNIATA COUNTY

Townships

Tuscarora Lack Milford (C)

LANCASTER COUNTY

Townships

Colerain Little Britain

LEBANON COUNTY

(C)

Townships

Cold Spring East Hanover (C)

(C) Indicates Change

UGI CENTRAL PENN GAS, INC.

Description of Territory

LEHIGH COUNTY

Boroughs

Slatington

Townships

Washington

LUZERNE COUNTY

Cities

Pittston

Boroughs

Exeter
Hughestown

Laflin
(portion)

Pittston
West Pittston

Yatesville
Wyoming

(C)

Townships

Jenkins
(portion)

Pittston

LYCOMING COUNTY

Boroughs

Hughesville

Jersey Shore

Picture Rocks

Salladsburg

Townships

Jackson
Mifflin (portion)
McNett
Nippenose

Penn (portion)
Piatt

Porter
Shrewsbury
(portion)

Wolf

MCKEAN COUNTY

Boroughs

Eldred

Port Allegany

Mount Jewett

Townships

Annin
Ceres

Eldred
Hamlin

Keating
Liberty

Norwich
Otto
Sergeant

MIFFLIN COUNTY

Boroughs

Burnham

Juniata Terrace

Lewistown

McVeytown

Townships

Armagh
Bratton

Brown
Derry

Granville
Menno

Union
Decatur

(C) Indicates Change

UGI CENTRAL PENN GAS, INC.

Description of Territory

MONROE COUNTY

Boroughs

Delaware Water Gap East Stroudsburg Stroudsburg

Townships

Eldred Middle Smithfield Ross Stroud
Hamilton Pocono Smithfield

MONTOUR COUNTY

Township

Liberty (portion)

NORTHAMPTON COUNTY

Boroughs

Bangor Pen Argyl & Vicinity Walnutport Wind Gap
East Bangor Roseto Portland

Townships

Bushkill Plainfield Upper Mt. Bethel Washington
Lehigh

(C)

NORTHUMBERLAND COUNTY

Cities

Shamokin Sunbury

Boroughs

Kulpmont Marion Heights Mount Carmel Snyderstown

Townships

Coal Little Mahanoy Ralpho Washington
East Cameron Lower Augusta Rockefeller West Cameron
Jordan Mount Carmel Shamokin Zerbe
East Chillisquaque Point West Chillisquaque Upper Augusta

(C) Indicates Change

Issued: December 27, 2011

Effective for Service Rendered on and after
December 28, 2011

UGI CENTRAL PENN GAS, INC.

Description of Territory

POTTER COUNTY

Boroughs

Austin	Coudersport	Hebron	Shinglehouse
Bingham	Galeton	Oswayo	Ulysses

Townships

Abbott	Hector	Pleasant Valley	Sylvania
Allegany	Hebron	Portage	Ulysses
Clara	Homer	Roulette	West Branch
Eulalia	Keating	Sharon	Wharton
Genesee	Oswayo	Summit	
Harrison	Pike	Sweden	

SCHUYLKILL COUNTY

Cities

Pottsville

Boroughs

Ashland	Gilberton	Middleport	Palo Alto
Auburn	Girardville	Minersville	Port Carbon
Cressona	Gordon	Mount Carbon	Port Clinton
Deer Lake	Landingville	New Philadelphia	Ringtown
Frackville	Mechanicsville	Orwigsburg	St. Clair
			Schuylkill Haven

Townships

Blythe	Foster	North Manheim	Upper Mahantongo
Branch	Hubley	Norweigan	South Manheim
Butler	Mahanoy (portion)	Ryan	West Brunswick
East Norwegian	New Castle	Union	West Mahanoy
Cass			

(C)

(C) Indicates Change

Issued: December 27, 2011

Effective for Service Rendered on and after
December 28, 2011

Description of Territory**TIOGA COUNTY**Boroughs

Blossburg	Lawrenceville	Roseville	Westfield
Elkland	Liberty	Tioga	
Knoxville	Mansfield	Wellsboro	

Townships

Bloss	Delmar	Lawrence	Rutland
Brookfield	Duncan	Liberty	Shippen
Charleston	Elkland	Middlebury	Sullivan
Chatham	Farmington	Nelson	Tioga
Clymer	Gaines	Osceola	Union
Covington	Hamilton	Putnam	Ward
Deerfield	Jackson	Richmond	Westfield

UNION COUNTYBoroughs

Lewisburg

Townships

Buffalo	East Buffalo	Kelly	Union (portion)
---------	--------------	-------	--------------------

VENANGO COUNTYCities

Oil City

Boroughs

Rouseville	Sugarcreek
------------	------------

Townships

Clinton	Cranberry	President	Rockland
Cornplanter	Pinegrove	Richland	

Appendix G

Income Statement and Balance Sheet for CPG as of September 30, 2017

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**PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU**

**Pre-Merger
UGI Utilities, Inc.
UGI Central Penn Gas, Inc.
Statement of Income
Year to Date: September 30, 2017**

\$ Thousands	UGI CPG Actual	Eliminations Actual	Total Actual
Revenues	\$ 127,796	\$ -	\$ 127,796
Cost of Sales	(36,569)	-	(36,569)
Gross Margin	91,226	-	91,226
Operations Expense	(37,126)	-	(37,126)
Miscellaneous Income	516	-	516
Total Expenses	(36,610)	-	(36,610)
EBITDA	54,616	-	54,616
Depreciation & Amortization	(11,009)	-	(11,009)
EBIT	43,607	-	43,607
Interest Expense	(6,567)	-	(6,567)
EBT	37,041	-	37,041
Taxes	(17,038)	-	(17,038)
Net Income	\$ 20,003	\$ -	\$ 20,003

**Pre-Merger
UGI Utilities, Inc.
UGI Central Penn Gas, Inc.
Consolidating Balance Sheet
September 30, 2017**

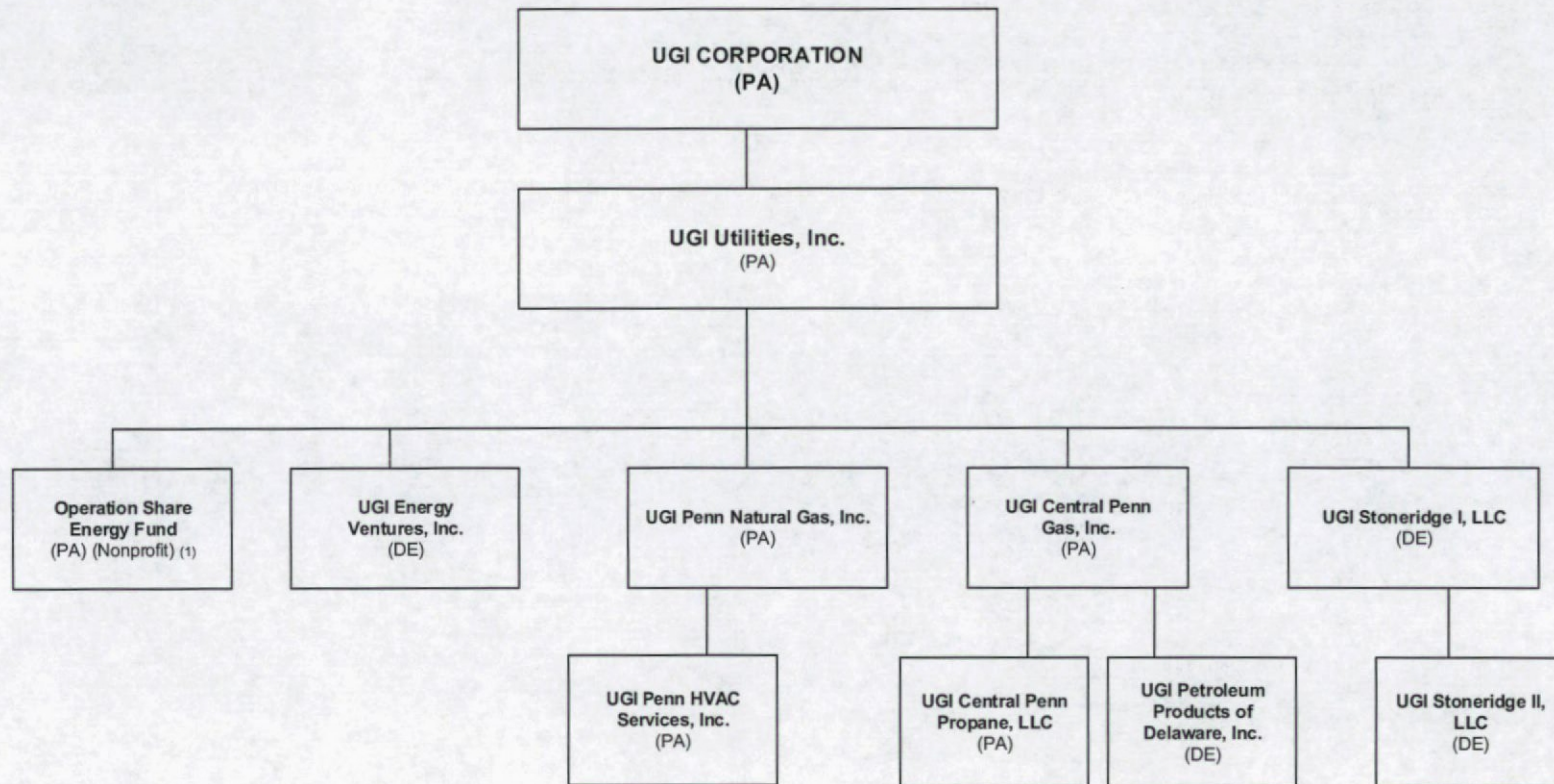
\$ Thousands	UGI CPG Actual	Eliminations Actual	Total Actual
Assets			
Cash (excluding restricted cash)	\$ 2,579	\$ -	\$ 2,579
Restricted Cash	328	-	328
A/R (net of reserves)	10,577	(1,225)	9,352
Inventory	8,011	-	8,011
Prepaid/Other	5,328	-	5,328
Total Current Assets (excl cash)	23,916	(1,225)	22,691
PP&E	483,749	-	483,749
Less: Accum. Depreciation	(154,371)	-	(154,371)
Net PP&E	329,378	-	329,378
Goodwill	20,419	-	20,419
Regulatory / Other Assets	42,622	-	42,622
Total Other Assets	63,041	-	63,041
Total Assets	\$ 419,242	\$ (1,225)	\$ 418,017
Liabilities & Equity			
Accounts Payable	\$ 14,067	\$ (1,225)	\$ 12,842
Other Accrued Expenses	12,726	(38)	12,688
Total Current Liabilities	26,793	(1,263)	25,530
Total Deferred Credits	101,930	138,813	240,743
Total Debt	9,763	-	9,763
Equity (Excl. OCI)	280,861	(138,775)	142,086
Total Capitalization	290,624	(138,775)	151,849
OCI	(105)	-	(105)
Total Liabilities & Equity	\$ 419,242	\$ (1,225)	\$ 418,017

Appendix H
Pre-Merger Corporate Organization Chart

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**PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU**



Prior to Closing of Proposed Transaction
(as of February 5, 2018)

Appendix I
Map of Merged Service Territory

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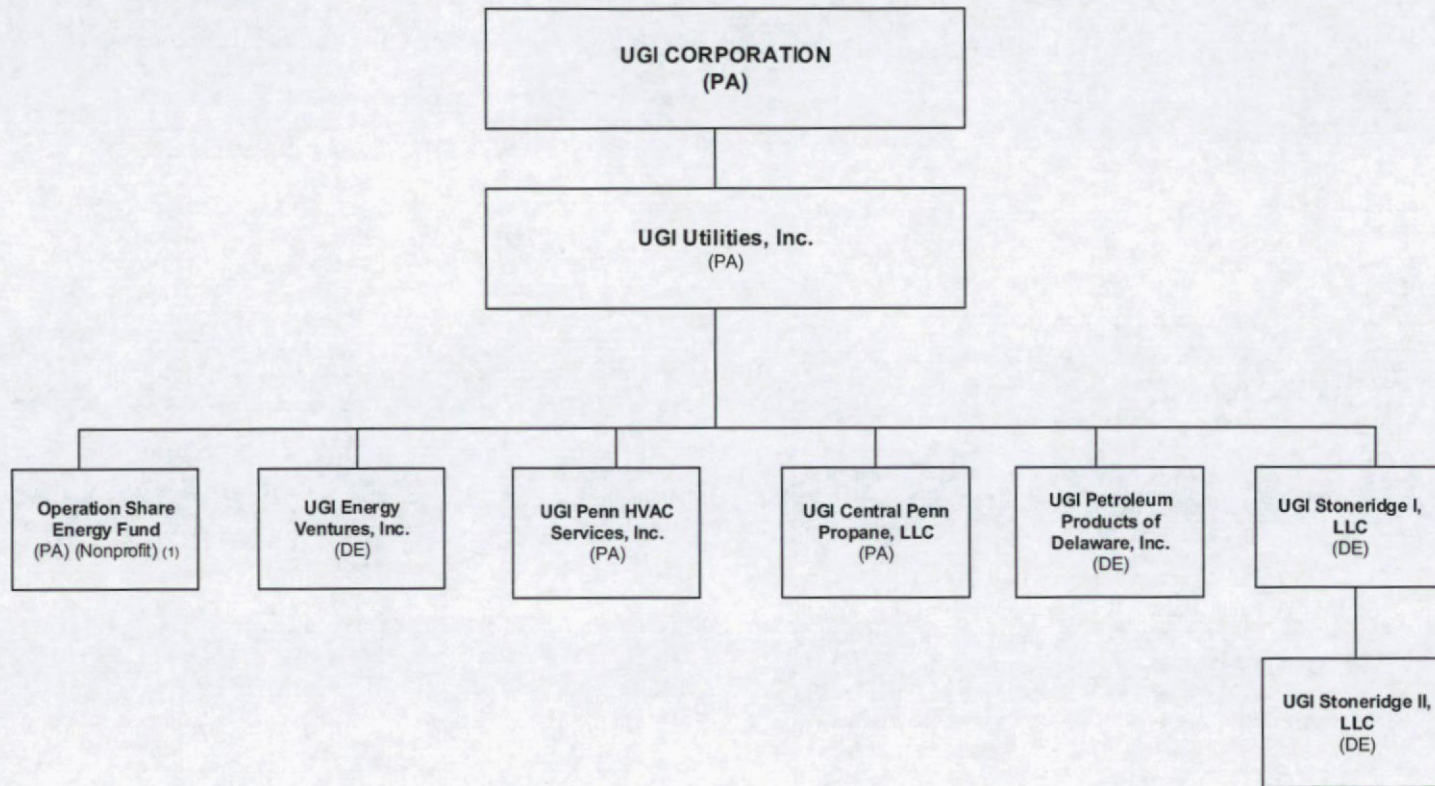
**PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU**

Appendix J
Pro Forma Post-Merger Corporate Organization Chart

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PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU



Following Closing of Proposed Transaction

Appendix K

Pro Forma Income Statement and Balance Sheet for Merged Companies

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**PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU**

**Post-Merger
UGI Utilities, Inc.
Merged Companies
Statement of Income
Year to Date: September 30, 2017**

\$ Thousands	Combined Gas Utility		Electric Utility		Total UGI Utilities	
	Actual		Actual		Actual	
Revenues	\$	799,054	\$	88,534	\$	887,588
Cost of Sales		(318,209)		(49,069)		(367,279)
Gross Margin		480,844		39,465		520,309
Operations Expense		(202,117)		(25,882)		(227,999)
Miscellaneous Income		8,192		138		8,330
Total Expenses		(193,925)		(25,744)		(219,670)
EBITDA		286,919		13,720		300,639
Depreciation & Amortization		(67,357)		(4,975)		(72,332)
EBIT		219,562		8,746		228,307
Interest Expense		(38,218)		(1,995)		(40,212)
EBT		181,344		6,751		188,095
Taxes		(71,207)		(846)		(72,053)
Net Income	\$	110,137	\$	5,905	\$	116,041

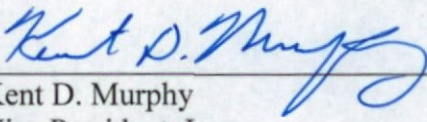
**Post-Merger
UGI Utilities, Inc.
Merged Companies
Consolidating Balance Sheet
September 30, 2017**

\$ Thousands	Combined Gas Utility		Electric Utility		UGI Utilities, Inc.	
	Actual		Actual		Actual	
Assets						
Cash (excluding restricted cash)	\$	9,774	\$	(4,571)	\$	5,203
Restricted Cash		3,046		-		3,046
A/R (net of reserves)		53,516		16,307		69,823
Inventory		51,742		1,567		53,309
Prepaid/Other		29,192		4,617		33,809
Total Current Assets (excl cash)		134,450		22,491		156,941
PP&E		3,093,835		191,494		3,285,329
Less: Accum. Depreciation		(936,099)		(74,682)		(1,010,781)
Net PP&E		2,157,736		116,812		2,274,548
Goodwill		182,145		-		182,145
Regulatory / Other Assets		346,272		25,860		372,132
Total Other Assets		528,417		25,860		554,277
Total Assets	\$	2,833,423	\$	160,592	\$	2,994,015
Liabilities & Equity						
Accounts Payable	\$	63,766	\$	14,683	\$	78,449
Other Accrued Expenses		109,241		15,796		125,037
Total Current Liabilities		173,007		30,479		203,486
Total Deferred Credits		825,085		56,438		881,523
Total Debt		921,101		-		921,101
Equity (Excl. OCI)		943,463		71,233		1,014,696
Total Capitalization		1,864,564		71,233		1,935,797
OCI		(29,233)		2,442		(26,791)
Total Liabilities & Equity	\$	2,833,423	\$	160,592	\$	2,994,015

VERIFICATION

I, Kent D. Murphy, being the Vice Present, Law for UGI Utilities, Inc., hereby state that the information set forth in the above-captioned Application and appendices is true and correct to the best of my knowledge, information, and belief, and that I expect 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: 3/8/2018


Kent D. Murphy
Vice President, Law
UGI Utilities, Inc.
460 North Gulph Road
King of Prussia, PA 19406

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CERTIFICATE OF SERVICE

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

VIA FIRST CLASS MAIL

John R. Evans
Small Business Advocate
Office of Small Business Advocate
300 North Second Street, Suite 202
Harrisburg, PA 17101

Tanya J. McCloskey, Esquire
Senior Assistant Consumer Advocate
Office of Consumer Advocate
555 Walnut Street
Forum Place, 5th Floor
Harrisburg, PA 17101-1923

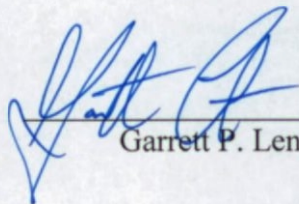
Richard Kanaskie, Esquire
Bureau of Investigation & Enforcement
Commonwealth Keystone Building
400 North Street, 2nd Floor West
PO Box 3265
Harrisburg, PA 17105-3265

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**PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU**

Date: March 8, 2018



Garrett P. Lent