



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

IN REPLY PLEASE
REFER TO OUR FILE

May 7, 2018

Secretary Rosemary Chiavetta
Pennsylvania Public Utility Commission
Commonwealth Keystone Building, Second Floor
400 North Street
Harrisburg, PA 17120

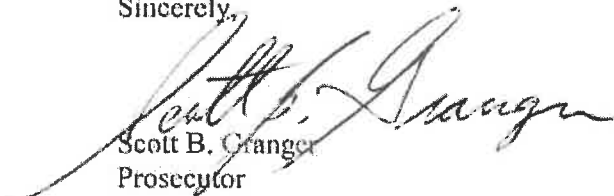
Re: Joint Application of UGI Utilities, Inc., UGI Penn Natural Gas, Inc. and UGI Central Penn Gas, Inc. for All of the Necessary Authority, Approvals, and Certificates of Public Convenience for (1) an Agreement and Plan of Merger; (2) the Merger of UGI Penn Natural Gas, Inc. and UGI Central Penn Gas, 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 Nos. A-2018-3000381, A-2018-3000382 and A-2018-3000383

Dear Secretary Chiavetta:

Enclosed please find the Bureau of Investigation and Enforcement's (I&E) **Prehearing Memorandum** in the above-captioned proceeding.

Copies are being served on parties as identified in the attached certificate of service. If you have any questions, please contact me at 717-425-7593.

Sincerely,



Scott B. Granger
Prosecutor
Bureau of Investigation and Enforcement
PA Attorney I.D. No. 63641

SBG/wsf
Enclosure

cc: Certificate of Service
ALJ Joel H. Cheskis
ALJ Benjamin A. Myers

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 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-2018-3000381
: Docket No. A-2018-3000382
: Docket No. A-2018-3000383

**PREHEARING MEMORANDUM
OF THE
BUREAU OF INVESTIGATION AND ENFORCEMENT**

**TO: ADMINISTRATIVE LAW JUDGES JOEL H. CHESKIS AND
BENJAMIN A. MYERS:**

The Bureau of Investigation and Enforcement (“I&E”) of the Pennsylvania Public Utility Commission (“Commission”) respectfully submits the following Prehearing Memorandum in the above-captioned consolidated proceedings.

The Bureau of Investigation and Enforcement Prosecutor in these proceedings will be Scott B. Granger. Contact information is as follows:

By mail: Scott B. Granger
Pennsylvania Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

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By telephone: (717) 425-7593

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I. INTRODUCTION

On March 8, 2018 the three UGI gas companies, UGI Utilities, Inc. - Gas Division (“UGI Utilities”), UGI Penn Natural Gas, Inc. (“PNG”), and UGI Central Penn Gas, Inc. (“CPG”) (hereinafter, collectively, the “Applicants”) filed an Application requesting 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 of natural gas service in all territory in this Commonwealth where PNG and CPG do or may provide natural gas service; (4) the abandonment by PNG of all natural gas service in this Commonwealth; (5) the abandonment by CPG 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 are seeking all other approvals and certificates appropriate, customary, or necessary under the Code to carry out the transactions contemplated in the Application in a lawful manner.

The Applicants also propose to separately maintain and file a number of items, including purchased gas cost portfolios and rate, Energy Efficiency and Conservation programs, Universal Service programs and budgets, Long-Term Infrastructure Improvement Programs (LTIIPs), and Distribution System Improvement Charges (DSICs). However, the Applicants propose to submit financial reports required under Chapter 71 of the Commission's regulations, annual reports required under 52 Pa. Code § 59.48, and other required reports on a consolidated basis.

The Office of Consumer Advocate ("OCA") filed a Protest and Public Statement in this proceeding on April 9, 2018.

The Office of Small Business Advocate ("OSBA") filed its Protest and Petition to Intervene on April 9, 2018.

The UGI Industrial Intervenors ("UGIII") filed their Petition to Intervene on April 9, 2018.

Direct Energy Business, LLC, Direct Energy Services, LLC and Direct Energy Business Marketing, LLC (collectively "Direct Energy") filed their Petition to Intervene on April 9, 2018.

The Commission on Economic Opportunity ("CEO") filed its Petition to Intervene on April 10, 2018.

I&E filed its Notice of Appearance on April 11, 2018.

On April 19, 2018, the Commission's Office of Administrative Law Judge issued a Hearing Notice scheduling the Initial Prehearing Conference for Monday, May 14, 2018, at 10:00 AM before Administrative Law Judges Joel H. Cheskis and Benjamin J. Meyers.

II. ISSUES

The following list represents I&E's preliminary determination of the potential issues in these proceedings. The listing is as complete as can be made at this time. I&E specifically reserves the right to address other issues, as it deems appropriate if any such relevant issues arise. The issues are as follows:

- Is the Merger in the Public Interest
- After the Merger/Future Transparency
- Proposed Rate Districts/Just and Reasonable Rates
- Affiliates and Affiliated Interest Agreements
- Chapter 71 Financial Reports
- Section 59.48 Annual Reports
- UGI companies Long Term Infrastructure Improvement Plans (LTIIP)
- UGI companies Distribution System Improvement Charges (DSIC)
- UGI companies Distribution Integrity Management Programs (DIMP)
- Proposed Abandonments of Services
- Merger Filing/Vagaries of References to "Future" Proceedings

III. WITNESSES

It is currently expected that I&E may call the following expert witnesses without being limited thereto:

Ethan Cline, Fixed Utility Valuation Engineer

Joseph Kubas, Fixed Utility Engineer Supervisor

Jessalyn Heydenreich, Pipeline Safety Engineer

The I&E witnesses may be contacted through the information listed above for Prosecutor Granger. The witness list is provided without the benefit of complete discovery or analysis of the positions of potential other parties to this proceeding. Accordingly, I&E reserves the right to call additional witnesses or withdraw the name of the witnesses listed above.

IV. EVIDENCE

I&E expects to present all written direct, rebuttal and surrebuttal testimony and accompanying exhibits at the evidentiary hearing. Moreover, I&E intends to rely on the Company's filing, testimony, answers to data requests and interrogatories, annual reports and other documents submitted to the Commission, other relevant Commission filings, any other relevant Commonwealth agency letters or reports, general financial market information sources and other public documents and reports.

V. DISCOVERY

Discovery in these proceedings will be conducted according to 52 Pa. Code §§5.321 et. seq. No modifications to the rules of discovery have been proposed by I&E. I&E will, however, give due consideration to any discovery modifications proposed by any other party. Also, pursuant to 52 Pa. Code §§5.322 and 5.331(b), discovery has begun and is ongoing.

VI. SCHEDULE

The UGI gas companies filed their Merger Application on March 8, 2018. I&E is working with the parties to develop a schedule in this proceeding. As of this date, the

parties have not yet agreed to a schedule. I&E understands that the Applicants would like to expedite this matter. While I&E does not fundamentally oppose expediting any matter, I&E believes the parties in this proceeding need to be afforded a full and fair opportunity to address all issues that the parties may raise. The schedule should include sufficient time for Company Direct; Other Parties' Direct; Rebuttal; Surrebuttal; Rejoinder Outlines; Hearings; Main Briefs; and Reply Briefs.

VII. PUBLIC INPUT HEARINGS

I&E is not aware of any requests or consumer interest with respect to public input hearings. I&E does not propose that any public input hearings be held absent substantial public interest in the Company filing. I&E, however, will not oppose public input hearings if proposed by another party. Should public input hearings be deemed necessary, I&E recommends the Commission consider the use of "smart hearings."


VIII. SERVICE OF DOCUMENTS

For purposes of satisfying in-hand requirements for discovery responses, prepared testimony and briefs, I&E will accept electronic delivery of documents with a follow-up hard copy provided by regular first-class mail.

IX. SETTLEMENT

I&E will maintain an open dialogue and is willing to make good faith efforts to successfully resolve this matter through settlement. In the event settlement discussions fail to result in a full and complete resolution of the matter, I&E is prepared to fully or partially litigate this proceeding.

Respectfully Submitted,



Scott B. Granger
Prosecutor
PA Attorney I.D. # 63641

Bureau of Investigation and Enforcement
Pennsylvania Public Utility Commission
Post Office Box 3265
Harrisburg, Pennsylvania 17105-3265
(717) 787-1976

Dated: May 7, 2018

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 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-2018-3000381
: Docket No. A-2018-3000382
: Docket No. A-2018-3000383

CERTIFICATE OF SERVICE

I hereby certify that I am serving the foregoing **Prehearing Memorandum** dated May 7, 2018 in the manner and upon the persons listed below, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a party):

Served via First Class and Electronic Mail

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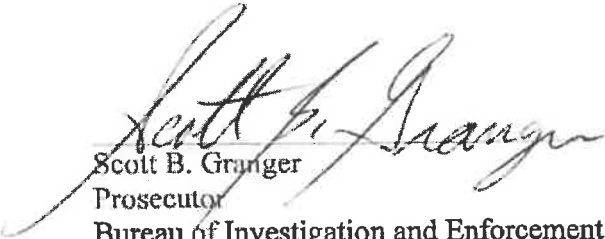
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