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May 7, 2018

Via Electronic Filing

Rosemary Chiavetta, Secretary
PA Public Utility Commission
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 territories in this Commonwealth where UGI Penn Natural Gas, Inc. and UGI Central Penn Gas, Inc. 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 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; (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, A-2018-3000383

Dear Secretary Chiavetta:

Enclosed for electronic filing please find the Prehearing Memorandum of Direct Energy Business, LLC, Direct Energy Services, LLC and Direct Energy Business Marketing, LLC, with regard to the above-referenced matter. Copies to be served in accordance with the attached Certificate of Service.

Sincerely,



Kristine E. Marsilio

KEM/lww

Enclosure

cc:

Hon. Joel H. Cheskis, w/enc.
Hon. Benjamin S. Myers, w/enc.
Cert. of Service w/enc.

CERTIFICATE OF SERVICE

I hereby certify that this day I served a true and correct copy of the Prehearing Memorandum of Direct Energy Business, LLC, Direct Energy Services, LLC, and Direct Energy Business Marketing, LLC, upon the persons listed below in the manner indicated in accordance with the requirements of 52 Pa. Code Section 1.54.

Via Email and/or First Class Mail

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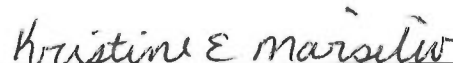
Dated: May 7, 2018

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Kristine Marsilio, Esquire

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Joint application of UGI Utilities, Inc.,	:	Docket Nos.	A-2018-3000381
UGI Penn Natural Gas, Inc. and UGI	:		A-2018-3000382
Central Penn Gas, Inc. for all of the	:		A-2018-3000383
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	:		
territories in this Commonwealth where	:		
UGI Penn Natural Gas, Inc. and UGI	:		
Central Penn Gas, Inc. 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.	:		

**PREHEARING MEMORANDUM OF
DIRECT ENERGY BUSINESS, LLC, DIRECT ENERGY
SERVICES, LLC, AND DIRECT ENERGY BUSINESS
MARKETING, LLC**

Pursuant to 52 Pa. Code §§ 5.221-5.224 and the Prehearing Conference Order issued on April 23, 2018 in the above-captioned proceeding, Direct Energy Business, LLC, Direct Energy Services, LLC, and Direct Energy Business Marketing, LLC (collectively, “Direct Energy” or the “Direct Energy Companies”) submits this Prehearing Memorandum.

I. **PROCEDURAL HISTORY**

On March 8, 2018, UGI Utilities, Inc., UGI Penn Natural Gas, Inc. and UGI Central Penn Gas, Inc. (collectively, “UGI” or the “Companies”) filed with the Pennsylvania Public Utility Commission (the “Commission”) a Joint Application for all of the necessary authority, approvals and certificates of public convenience for the merger of UGI Penn Natural Gas, Inc. and UGI Central Penn Gas, Inc. into UGI Utilities, Inc. and for all other approvals related to the transaction (“Joint Application”).

By public notices published in the Pennsylvania Bulletin on March 24, 2018, the Commission established a deadline of April 9, 2018 for formal protests and petitions to intervene. On April 3, 2018, Shipley Choice, LLC d/b/a Shipley Energy, Dominion Energy Solutions, Inc., Interstate Gas Supply, Inc. d/b/a. IGS Energy and Rhoads Energy collectively filed a Petition to Intervene. On April 9, 2018, Direct Energy and UGI Industrial Intervenors filed Petitions to Intervene. The Office of Small Business Advocate also filed a Petition to Intervene on April 9, 2018, along with a Protest. On the same date, the Office of Consumer Advocate filed a Protest and a Public Statement. The Commission on Economic Opportunity filed a Petition to Intervene on April 10, 2018, and the Commission’s Bureau of Investigation and Enforcement filed a Notice of Appearance on April 11, 2018.

On April 9, 2018, the Commission issued a Hearing Notice, setting a Prehearing Conference in this matter for May 14, 2018 and assigning Administrative Law Judges Joel H.

Cheskis and Benjamin J. Myers (collectively, the “ALJs”) to preside over the matter. On April 23, 2018, the ALJs issued a Prehearing Order, directing the parties to file Prehearing Memorandums no later than May 7, 2018.

II. **REPRESENTATION**

Direct Energy’s attorneys in this matter are:

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Kristine Marsilio, Esquire
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III. **ISSUES**

The Commission may only grant an application for approval of a merger if it makes a factual determination in accord with 66 Pa. C.S. § 1103(a) that the merger will provide an affirmative benefit to the public. Lloyd v. Pa. PUC, 17 A.3d 425, 426 (Pa. Cmwlth. 2011). “In determining whether the Pennsylvania public is benefited in some substantial way, ‘it is contemplated that the benefits and detriments of the acquisition be measured as they impact on *all affected parties*, and not merely on one particular group or geographic subdivision [...].’” Popowsky v. Pa. PUC, 917 A.2d 380, 393 (Pa. Cmwlth. 2007); *citing* Middletown Township v. Pa. PUC, 482 A.2d 674, 682 (Pa. Cmwlth. 1984) (emphasis in original).

Direct Energy is an affected party in this proceeding. As Natural Gas Suppliers (“NGSs”) licensed to serve customers in the UGI service territories, Direct Energy has a substantial and direct interest insofar as the UGI and PNG tariffs may be transferred to UGI Utilities pending the outcome of this proceeding. Any changes (or lack thereof) to the UGI

supplier tariffs, or the services provided thereunder, may have a direct effect on Direct Energy's operations and impact its ability to compete for and service customers in the UGI service territories. Further, any changes to UGI rates, or the operation or structure of any UGI programs, may have a significant effect on the level of retail competition in the Companies' service territories and, thus, on the ability of Direct Energy to continue to operate as an NGS in those territories.

Thus, in considering UGI's Joint Application, the Commission must contemplate the benefits or detriments to Direct Energy, an affected party in this proceeding. While UGI has not proposed any changes to the existing tariffs at this time, Direct Energy submits that further investigation may be warranted to determine whether uniform tariffs are appropriate at this time to provide an affirmative benefit to Direct Energy and to the public. Direct Energy reserves the right to address other issues identified through its continued review and analysis of the filing or raised by other parties.

IV. WITNESSES AND EVIDENCE

Direct Energy continues to evaluate whether to present witnesses in this proceeding. To the extent Direct Energy decides to present a witness in this proceeding, it has tentatively identified the following witness:

Orlando (Randy) Magnani
President
Randy Energy Consultants, LLC
19561 Caladesi Drive
Estero, FL 33967

Mr. Magnani will provide testimony related to the issues identified above. Direct Energy reserves the right to address other issues as may be developed during the course of this

proceeding. Direct Energy reserves its right to add additional witnesses or change the identity of its witnesses at any time upon appropriate notice to the Presiding Officer and the parties.

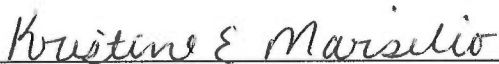
V. **LITIGATION AND DISCOVERY RULES**

Direct Energy is willing to work with the Presiding Officer and the parties to develop a procedural schedule in this proceeding. Direct Energy is also willing to discuss any proposed discovery modifications.

VI. **SETTLEMENT**

Direct Energy is willing to participate in settlement discussions with any party to narrow the issues in this matter.

Respectfully submitted,



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Date: April 7, 2018

Attorneys for
Direct Energy Business, LLC, Direct Energy
Services, LLC, and Direct Energy Business
Marketing, LLC