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File #: 171714

May 7, 2018

***VIA ELECTRONIC FILING***

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 Nos. A-2018-3000381, A-2018-3000382 and A-2018-3000383**

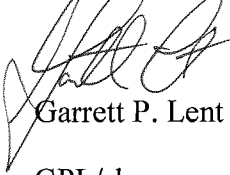
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Dear Secretary Chiavetta:

Enclosed please find the Joint Prehearing Memorandum of UGI Utilities, Inc., UGI Penn Natural Gas, Inc. and UGI Central Penn Gas, Inc. for the above-referenced proceeding. Copies will be provided as indicated on the Certificate of Service.

Rosemary Chiavetta, Secretary  
May 7, 2018  
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Respectfully submitted,

A handwritten signature in black ink, appearing to read "Garrett P. Lent", is written over the typed name.

Garrett P. Lent

GPL/skr  
Enclosure

cc: Certificate of Service  
Honorable Joel H. Cheskis  
Honorable Benjamin J. Myers

## CERTIFICATE OF SERVICE

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

### VIA E-MAIL AND FIRST CLASS MAIL

Scott B. Granger, Esquire  
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Commonwealth Keystone Building  
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PO Box 3265  
Harrisburg, PA 17105-3265

Steven C. Gray, Esquire  
Office of Small Business Advocate  
300 North Second Street, Suite 202  
Harrisburg, PA 17101

Darryl Lawrence, Esquire  
Lauren M. Burge, Esquire  
Harrison W. Breitman, Esquire  
Office of Consumer Advocate  
555 Walnut Street  
Forum Place, 5th Floor  
Harrisburg, PA 17101-1923

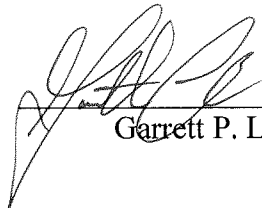
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Economic Opportunity*

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Kristine Marsilio, Esquire  
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*Counsel for Direct Energy*

Pamela C. Polacek, Esquire  
Vasiliki Karandrikas, Esquire  
Alessandra L. Hylander, Esquire  
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100 Pine Street  
PO Box 1166  
Harrisburg, PA 17108-1166  
*Counsel for UGIII*

Date: May 7, 2018



Garrett P. Lent

**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, : Docket No. A-2018-3000381  
Approvals, and Certificates of Public : Docket No. A-2018-3000382  
Convenience for (1) an Agreement and Plan of : Docket No. A-2018-3000383  
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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**JOINT PREHEARING MEMORANDUM OF  
UGI UTILITIES, INC., UGI PENN NATURAL GAS, INC.,  
AND UGI CENTRAL PENN GAS, INC.**

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

Pursuant to 52 Pa. Code § 5.224(c) and the April 23, 2018 Prehearing Conference Order,  
UGI Utilities, Inc. – Gas Division (“UGI Gas”), UGI Central Penn Gas, Inc. (“UGI CPG”), and

UGI Penn Natural Gas, Inc. (“CPG”), collectively the “Joint Applicants,” hereby submit this Prehearing Conference Memorandum.

**I. SERVICE OF DOCUMENTS**

1. The Joint Applicants request that all documents be served on:

Garrett P. Lent, Esq.  
Post & Schell, P.C.  
17 North Second Street  
12<sup>th</sup> Floor  
Harrisburg, PA 17101-1601  
Phone: 717-612-6032  
Fax: 717-731-1985  
E-mail: glent@postschell.com

2. The Joint Applicants agree to receive service of documents electronically in this proceeding. Further, to the extent that materials are available electronically, it is requested that copies be served upon Kent Murphy at [murphyke@ugicorp.com](mailto:murphyke@ugicorp.com), Mark C. Morrow at [morrowm@ugicorp.com](mailto:morrowm@ugicorp.com), David B. MacGregor at [dmacgregor@postschell.com](mailto:dmacgregor@postschell.com), and Garrett P. Lent at [glent@postschell.com](mailto:glent@postschell.com).

**II. PROCEDURAL HISTORY**

3. This proceeding was initiated on March 8, 2018, when the Joint Applicants filed the above-captioned application requesting all necessary authority, approvals and certificates of public convenience from the Pennsylvania Public Utility Commission (“Commission”) pursuant to Sections 1102(a)(1)-(3), 2102(a) and 2210 of the Public Utility Code (hereinafter “the Merger Application”). The Merger Application sought the authorization for: (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 sought all other approvals and certificates appropriate, customary, or necessary under the Code to carry out the transactions contemplated in the Merger Application in a lawful manner. The Joint Applicants requested 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.

4. On April 3, 2018, a Petition to Intervene was filed by Shipley Choice, LLC, Dominion Retail, Inc., Interstate Gas Supply, Inc. d/b/a IGS Energy and Rhoads Energy (collectively "the NGS parties").

5. On April 9, 2018, a Petition to Intervene was filed by Direct Energy Business, LLC, Direct Energy Services, LLC and Direct Energy Business Marketing, LLC (collectively referred to as "Direct Energy").

6. On April 9, 2018, a Petition to Intervene was filed by the UGI Industrial Intervenors ("UGIII").

7. On April 9, 2018, a Protest, Petition to Intervene and Verification was filed by the Office of Small Business Advocate ("OSBA").

8. On April 9, 2018, a Protest and Public Statement was filed by the Office of Consumer Advocate ("OCA").

9. On April 10, 2018, a Petition to Intervene was filed by the Commission on Economic Opportunity (“CEO”).

10. On April 11, 2018, a Notice of Appearance was filed by the Commission’s Bureau of Investigation and Enforcement (“I&E”).

11. On April 19, 2018, the Commission issued a hearing notice establishing a prehearing conference in this matter for Monday, May 14, 2018 at 10:00 a.m. in Hearing Room 5 of the Commonwealth Keystone Building, 400 North Street, Harrisburg and assigning Administrative Law Judge Joel H. Cheskis and Administrative Law Judge Benjamin L. Meyers (collectively “the Presiding Officers”) as the Presiding Officers in this proceeding.

12. Pursuant to 52 Pa. Code § 5.224(c) and the April 23, 2018 Prehearing Conference Order, the Joint Applicants hereby submit this Prehearing Conference Memorandum.

### **III. ISSUES AND EVIDENCE**

13. The primary issue in this proceeding is whether the Merger Application is in the public interest. 66 Pa C.S. §§ 1102(a)(1)-(3), 1103(a). As explained in the Merger Application, this determination is to be based on whether: (1) the surviving entity is legally, technically, and financially fit; and (2) whether the issuance of a certificate of public convenience granting the approvals required to effect the proposed merger “is necessary or proper for the service, accommodation, convenience, or safety of the public.”

14. On the first issue, the Joint Applicants note that the surviving entity, UGI Utilities, Inc. (“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.

15. On the second point, it is the Joint Applicants’ position that the internal reorganization contemplated by the Merger application meets this requirement because the

proposed merger will be completely seamless to existing customers in terms of the service they will receive, and the proposed merger will have no adverse effect on the Joint Applicants' current provision of intrastate natural gas distribution services.

16. The Merger Application also details the considerable public benefits of the proposed merger, including: (a) increased administrative efficiency; (b) increased operational efficiency; (c) increased capital efficiency; and (d) increased regulatory efficiency. These benefits will occur from the consolidated post-merger operation of the Joint Applicants, and the subsequent consolidation of operational and regulatory programs, as explained in the Merger Application. In comparison, the Merger Application will have no adverse effects on the Joint Applicants' customers, employees or retail natural gas competition in Pennsylvania. All rates, terms and conditions that have an impact on the Joint Applicants' customers and retail competition will remain unchanged in the initial post-merger tariffs. Furthermore, the proposed merger will not have a significant impact on employees because UGI CPG and UGI PNG will simply become UGI Utilities employees without any change in their salaries or benefits; UGI Utilities will also continue to honor the requirements of all existing union collective bargaining agreements. Therefore, it is the Joint Applicants' position that the Merger Application will produce substantial affirmative public benefits and, as such, is in the public interest.

17. In addition, the Merger Application contemplates several additional Commission approvals that are required to effect the proposed merger and produce the substantial affirmative public benefits described in the application. These actions include: (1) approval of UGI Utilities, Inc.'s initiation of natural gas service in all territory in this Commonwealth where UGI PNG, and UGI CPG do or may provide natural gas service; (2) approval of the abandonment of service by UGI CPG and UGI PNG; and (3) the adoption by UGI Utilities of the UGI Gas, UGI PNG and



UGI CPG tariffs as the tariffs for the new UGI South, UGI North and UGI Central service and rate districts, respectively. For the reasons explained above and in the Merger Application, it is the Joint Applicants' position that such additional approvals are warranted because the proposed merger is in the public interest.

18. Finally, the Merger Application also seeks approval of certain affiliated interest agreements in order to effect the proposed merger, including the Agreement and Plan of Merger between the Joint Applicants (Appendix A to the Merger Application). For the reasons explained above, it is the Joint Applicants' position that the Agreement and Plan of Merger is reasonable and in the public interest.

19. The Joint Applicants reserve the right to raise and/or address additional issues that may arise during the course of the proceeding.

**IV. WITNESSES AND EVIDENCE**

20. The Joint Applicants presently intend to offer the following witnesses to testify in this proceeding on the following subject matters:

Statement No.	Witness	Subjects Addressed
1	Paul J. Szykman Vice President – Rates & Government Relations UGI Utilities, Inc. 2525 North 12th Street Suite 360 Reading, PA 19612-2677 Tel: 610-796-3470	Overview of the Proposed Transaction Regulatory Benefits
2	Daniel Platt Chief Financial Officer UGI Utilities, Inc. 2525 North 12th Street Suite 360 Reading, PA 19612-2677 Tel: 610-796-3426	Administrative Benefits

3	Hans G. Bell Chief Operating Officer UGI Utilities, Inc. 2525 North 12th Street Suite 360 Reading, PA 19612-2677 Tel: 610-796-3450	Operational Benefits
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21. The Joint Applicants also reserve the right to call and present additional witnesses to address any issues that may arise during the course of the proceeding.

**V. DISCOVERY**

22. To date, no party has yet initiated discovery in this proceeding.

23. Based on the Joint Applicants' request that the Commission grant the authorizations sought by no later than August 23, 2018, the Joint Applicants propose the following modifications to the standard timelines for discovery set forth in the Commission's regulations:

- (a) Answers to written interrogatories shall be served in-hand within ten (10) calendar days of service.
- (b) Responses to requests for document production, entry for inspection, or other purposes must be served in-hand within ten (10) calendar days.
- (c) Requests for admissions will be deemed admitted unless answered within seven (10) calendar days or objected to within five (5) calendar days of service.
- (d) Objections to interrogatories shall be communicated orally within three (3) calendar days of service of the interrogatories; unresolved objections shall be served to the Presiding Officers in writing within five (5) days of service of the interrogatories.

- (e) Motions to dismiss objections and/or direct the answering of interrogatories shall be filed within three (3) calendar days of service of the written objections.
- (f) Answers to motions to dismiss objections and/or direct the answering of interrogatories shall be filed within three (3) calendar days of service of such motions.
- (g) Discovery and discovery-related pleadings propounded after 12:00 noon on a Friday or after 12:00 noon on any business day immediately preceding a state holiday will be deemed served on the next business day for purposes of determining the due date of the responses and responsive pleadings.

The Joint Applicants understand that the above-described modifications to the standard timelines for discovery are typical in base rate proceedings and in proceedings of this nature.

24. The Joint Applicants will submit a Motion for Protective Order for consideration by the Presiding Officers. The Joint Applicants will seek the concurrence of the other parties as to the form of the Protective Order before submitting the Motion.

25. The Joint Applicants also encourage the use of informal discovery to expedite the discovery process.

## **VI. OBTAINING OF ADMISSIONS OR STIPULATIONS**

26. In an effort to shorten any evidentiary hearings that may be held in this matter the Joint Applicants will work with the other parties to obtain admissions or stipulations concerning facts not in dispute and the authenticity of documents.

## **VII. LITIGATION SCHEDULE**

27. The Joint Applicants are conferring with the parties that have intervened in the Merger Application regarding an expedited schedule, such that the Commission may grant the authorizations sought by no later than August 23, 2018. As of the filing of this memorandum, the parties have not been able to agree on a procedural schedule. However, the Joint Applicants will continue to confer with the parties in order to establish a schedule for the prompt resolution of this matter and present a schedule to the Presiding Officers at or before the Prehearing Conference.

## **VIII. PUBLIC INPUT HEARINGS**

28. The Joint Applicants proposes that the public input hearings be telephonic and live-streamed from the Commission offices rather than held on multiple dates in multiple locations throughout the service territories of the Joint Applicants.

29. The Commission's use of telephonic and live-streamed public input hearings has been successful in prior cases, and promotes transparency in public proceedings.

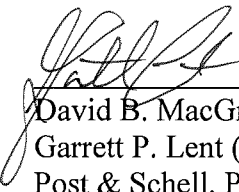
**IX. SETTLEMENT**

30. As of this time, the Joint Applicants have engaged in preliminary settlement discussions with certain of the parties. The Joint Applicants remain open and available for settlement discussions with the other parties and would support initiatives to begin settlement discussions at the earliest possible date.

Respectfully submitted,

Kent D. Murphy (ID # 44793)  
Vice President, Law - UGI Utilities, Inc.  
Group Counsel, Energy and Regulation  
Mark C. Morrow (ID# 33590)  
Chief Regulatory Counsel  
UGI Corporation  
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King of Prussia, PA 19406  
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Date: May 7, 2018

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