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July 20, 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., et al.
Docket Nos. A-2018-3000381, A-2018-3000382 and A-2018-3000383**

Dear Secretary Chiavetta:

Enclosed for filing is UGI Utilities, Inc.'s Joint Petition for Settlement in the above-proceeding. Copies will be provided as indicated on the Certificate of Service.

Respectfully submitted,



Garrett P. Lent

GPL/sme
Enclosures

cc: Honorable Joel H. Cheskis (*Via email and first class mail*)
Honorable Benjamin J. Myers (*Via email and first class mail*)
Certificate of Service

CERTIFICATE OF SERVICE

A-2018-3000381

A-2018-3000382

A-2018-3000383

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

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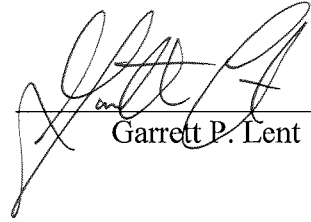
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Date: July 20, 2018


Garrett P. Lent

**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, : 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 :

**JOINT PETITION FOR APPROVAL OF
SETTLEMENT OF ALL ISSUES**

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

I. INTRODUCTION

UGI Utilities, Inc. – Gas Division, UGI Central Penn Gas, Inc., and UGI Penn Natural Gas, Inc. (collectively the “Joint Applicants”), the Bureau of Investigation and Enforcement (“I&E”), the Office of Consumer Advocate (“OCA”), the Office of Small Business Advocate

("OSBA"), the NGS Parties,¹ the Commission for Economic Opportunity ("CEO"), and Direct Energy,² all Parties to the above-captioned proceeding (hereinafter, collectively the "Joint Petitioners" or the "Parties"), hereby file this "Joint Petition for Approval of Settlement of All Issues" ("Settlement") and respectfully request that Administrative Law Judges Joel H. Cheskis and Benjamin L. Meyers (the "ALJs") and the Pennsylvania Public Utility Commission ("Commission") approve the proposals set forth in Joint Applicants' above-captioned application requesting all necessary authority, approvals and certificates of public convenience from the Commission pursuant to Sections 1102(a)(1)-(3), 2102(a) and 2210 of the Public Utility Code (hereinafter "the Merger Application"), subject to the terms and conditions of the Settlement.³

This Settlement represents a full settlement of all issues and concerns raised in the instant proceeding. In support of the Settlement, the Joint Petitioners state the following:

II. BACKGROUND

This proceeding was initiated on March 8, 2018, when the Joint Applicants filed the above-captioned Merger Application. The Merger Application sought the authorization for: (1) an Agreement and Plan of Merger; (2) the merger of UGI Penn Natural Gas, Inc. ("PNG") and UGI Central Penn Gas, Inc. ("CPG") with and into UGI Utilities, Inc.; (3) the initiation by UGI Utilities, Inc. 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, Inc. of PNG's and CPG's existing tariffs and their application within new service and rate districts of UGI Utilities corresponding to their

¹ The NGS Parties are comprised of Shipley Choice, LLC, Dominion Retail, Inc., Interstate Gas Supply, Inc. d/b/a IGS Energy and Rhoads Energy.

² Direct Energy collectively refers to Direct Energy Business, LLC, Direct Energy Services, LLC, and Direct Energy Business Marketing, LLC.

³ The UGI Industrial Intervenors ("UGIII") do not join in this Settlement but have authorized the Joint Petitioners to state their non-opposition to the Settlement.

existing service territories as UGI North and UGI Central, respectively; (7) the adoption by UGI Utilities, Inc. 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, Inc.'s fiscal year.

Formal Protests were filed by OSBA and OCA. Petitions to Intervene were filed by and granted for UGIII, the NGS Parties, CEO, and Direct Energy. I&E filed a Notice of Appearance.

A prehearing conference was held as scheduled on May 14, 2018. A litigation schedule and modified discovery rules were agreed to by the Parties and adopted in the Scheduling Order issued by the ALJs on May 15, 2018.

Pursuant to the litigation schedule adopted in the Scheduling Order, the Joint Applicants submitted the Direct Testimony of Paul J. Szykman on June 1, 2018.

Throughout the proceeding, the Joint Applicants responded to discovery requests submitted by other parties, and the Parties collectively engaged in numerous settlement conferences.

On July 10, 2018, OCA, OSBA, the NGS Parties, and CEO filed Direct Testimony. I&E, Direct Energy and UGIII indicated that they would not be submitting Direct Testimony in this proceeding.

Also on July 10, 2018, the Parties informed the ALJs that they had reached a unanimous agreement in principle resolving all issues in the above-captioned Merger Application. In the

email informing the ALJs of the agreement in principle, it was indicated that this Joint Petition for Settlement would be filed on or before July 20, 2018, with statements in support to be filed on July 20, 2018, or shortly thereafter.

The Settlement agreed to by the Joint Petitioners is set forth in the following Section III.

III. SETTLEMENT

A. GENERAL

1. The Parties agree that CPG and PNG will be permitted to merge with and into UGI Utilities, Inc., as described in the Application, subject to the conditions set forth in the following paragraphs.

2. Upon close of the merger, UGI Utilities, Inc. (“UGI”) will rename the currently effective tariffs of CPG, PNG and UGI Gas as the tariffs of the UGI Central, UGI North, and UGI South rate districts, respectively, of the new UGI Utilities, Inc. – Gas Division (“UGI Gas Division”) and make other necessary conforming changes.

B. TRANSPARENCY OF DATA/RATEMAKING

3. UGI will maintain pre-merger accounting records for old UGI Gas Division, CPG, and PNG, at least until uniform rates are established for the new UGI Gas Division and otherwise in accordance with applicable record retention legal requirements.

4. Upon close of the merger, UGI will be permitted to implement consolidated cost accounting for the consolidated UGI Gas Division, for book and regulatory purposes, without attribution to rate district, provided that, until such time as UGI has permission to implement uniform rates throughout the UGI Gas service territory, UGI Gas will maintain: (1) customer revenue data and usage records by rate district; and (2) separate (by rate district) cost records for costs recovered outside of base rates—*e.g.*, purchased gas costs (“PGC”), distribution system

improvement charges (“DSIC”), Universal Service Program (“USP”) Rider, State Tax Adjustment Surcharges (“STAS”), etc.).

5. In addition to the consolidated books of account provided in Paragraph No. 4, above, UGI shall maintain separate books of account by rate division until the next base rate case, or, if later, until UGI places into service the new financial system that is currently under development.

6. UGI will maintain the capacity to file, and will file, the reports and other filings identified in paragraph 40 to the Merger Application on a rate district by rate district basis until the earlier of such time as UGI has achieved uniform rates among the rate districts or such time as the Commission otherwise approves.

7. In its first base rate case post-merger, UGI Gas Division will file separate revenue requirement models and cost allocation studies on a consistent basis for each rate district, and will be permitted to file a consolidated revenue requirement model and class cost of service study, which will be subject to the following requirements:

- (a) UGI will submit detailed sales and revenue schedules for each rate class within each rate district that show the following: (1) actual historic year sales and revenues; (2) adjusted historic year sales and revenues along with specific historic year ratemaking adjustments individually identified as to amount and purpose (adjusted historic year); (3) future year budgeted sales and revenues along with specific ratemaking adjustments identified as to amount and purpose (adjusted future year); and, (4) fully projected future year (“FPFTY”) budgeted sales and revenues along with specific

FPFTY ratemaking adjustments individually identified as to amount and purpose (adjusted FPFTY).

- (b) UGI shall be permitted to include a proposal to create uniform rates for the three UGI Gas rate districts, inclusive of base rates, PGC rates, and other surcharges, which shall not be opposed on the basis that such proposal should be made in a PGC rate or other type of proceeding.
- (c) All parties reserve their right to take positions on revenue requirement, cost of service, rate structure, rate design, or other relevant ratemaking issues.

8. The consolidated UGI Gas Division will be permitted to file a single Chapter 71 Financial Earnings report each quarter it is required to file one, which will consolidate the financial information applicable to the UGI North, UGI Central and UGI South rate districts.

9. The consolidated UGI Gas Division will be permitted to file a single PUC Annual Report in accordance with 52 Pa. Code Section 59.48, which will consolidate the financial information applicable to the UGI North, UGI Central and UGI South rate districts.

10. Except as provided in Paragraph No. 6 above, UGI Gas Division will be permitted to consolidate all other PUC reports applicable to gas utilities on a consolidated UGI Gas Division basis.

11. UGI will continue to maintain appropriate cost allocation procedures to allocate or directly assign costs between the Gas Division and the Electric Division, subject to review by the Commission either as part of an audit or in the context of a base rate proceeding.

C. LOW INCOME PROGRAMS

12. UGI Gas Division will maintain the existing Universal Services programs in the UGI North, UGI Central, and UGI South rate districts after the merger, subject to the

Commission's regulation and authorization, at least through the term of the currently effective Triennial Plan.

13. UGI's future Universal Services Triennial plans will continue to recognize the geographic diversity of the UGI Gas Division service territory by maintaining existing or designing new programs for the purpose of encouraging program enrollment. Notice of the filing of future Triennial Plans will be provided to the parties of record in this proceeding and their counsel.

14. To track Universal Services program participation geographically, UGI will maintain records of customers enrolled in the Customer Assistance Program, customers who received Low-Income Usage Reduction Program ("LIURP") treatment, and other universal service benefits, on a county-by-county basis. For comparison purposes, UGI will establish a baseline of such county level participation for the fiscal year ending September 30, 2018.

15. UGI will use community based organizations ("CBOs") for the purposes of its universal service programs in materially the same manner and in materially the same locales as UGI utilized CBOs prior to the merger, subject to continued Commission oversight and approval, and CBO performance.

D. GAS CHOICE AND NON-CHOICE TRANSPORTATION

16. On or before September 30, 2018, UGI, the NGS Parties and other interested parties will meet and initiate the collaborative process for the purpose of developing an initial strawman uniform gas choice and non-choice transportation programs proposal. The following issues will be addressed:

- (a) Establishing uniformity of rules in each of the consolidated UGI Gas Division rate districts governing choice and, separately, non-choice transportation programs.

- (b) Scheduled delivery confirmation process and communication.
- (c) Imbalance Cash-out provisions.
- (d) Cost recovery associated with program rule changes and additional facilities or equipment, including but not limited to recovery of the costs of information system modification necessitated by the program changes.

17. In conjunction with the collaborative process provided in Paragraph No. 16., above, no later than February 28, 2019 or such later date as the parties to the collaborative may agree, either as part of a base rate proceeding or as a limited purpose tariff filing before the Commission, UGI shall propose uniform rules governing the gas choice and non-gas choice transportation programs throughout the UGI Gas service territory. As part of the filing, UGI will state whether all parties to the collaborative process concur with the filing and shall serve a copy of the filing on each participant in the collaborative process. To the extent that parties do not agree with any provisions, those parties shall retain all rights to challenge the tariff filing.

18. UGI will support the filing of a license amendment or a petition for declaratory ruling, filed by one or more Natural Gas Suppliers (“NGS”) licensed to provide competitive retail natural gas supply services in one or more of UGI Gas, UGI CPG, and UGI PNG service territories in existence prior to the merger, to extend the scope of their existing licenses into the entire UGI service territory post-merger, to the extent that such filing is limited in scope to the geographic scope of a NGS license on the UGI Gas system.

19. By no later than October 30, 2018, UGI shall propose, as part of one or more limited purpose tariff filing(s):

- (a) To modify the financial surety requirements applicable to Natural Gas Suppliers on the consolidated UGI Gas distribution system to reflect 1) a

minimum surety level of \$50,000; or 2) if higher, the sum of the surety level requirements calculated on a customer basis in accordance with the Gas Choice Supplier Tariffs of the UGI North, UGI South and UGI Central rate districts.

- (b) To expand the pre-merger UGI Gas Purchase of Receivable program to the UGI Central and UGI North rate districts.

20. UGI commits to implementing any order issued by the Commission at Dockets L-2016-2577413 (accelerated NGS switching) and L-2017-2619223 (capacity assignment), that require NGDCs to switch customers more rapidly than is done presently, within the time frames established in those proceedings.

E. AFFILIATE INTEREST ISSUES

21. All currently effective affiliate interest arrangements between UGI and affiliates will remain effective, except those agreements that are based on CPG and PNG being separate corporate entities will be terminated effective upon closing of the merger.

F. THE SETTLEMENT IS IN THE PUBLIC INTEREST

22. The Joint Petitioners will further supplement the reasons that the Settlement is in the public interest in their Statements in Support, which are being separately filed by each party. In their respective Statements in Support, each Joint Petitioner explains why, in its view, the Settlement is fair, just, and reasonable and reflects a reasonable compromise of the disputed issues in this proceeding.⁴

IV. SETTLEMENT CONDITIONS

⁴ It is noted that, because certain Joint Petitioners only participated with regard to certain issues in this proceeding, some of the Statements in Support may be limited in the scope of issues addressed.

23. The Settlement is conditioned upon the Commission's approval of the terms and conditions contained in this Settlement without modification. If the Commission modifies the Settlement, any Joint Petitioner may elect to withdraw from the Settlement and may proceed with litigation and, in such event, the Settlement shall be void and of no effect. Such election to withdraw must be made in writing, filed with the Secretary of the Commission and served upon all Joint Petitioners within five (5) business days after the entry of an Order modifying the Settlement.

24. This Settlement is proposed by the Joint Petitioners to settle all issues in the instant proceeding. If the Commission does not approve the Settlement and the proceedings continue, the Joint Petitioners reserve their respective procedural rights to evidentiary hearings, submission of additional testimony and exhibits, cross-examination of witnesses, briefing, and argument of their respective positions. The Settlement is made without any admission against, or prejudice to, any position that any Joint Petitioner may adopt in the event of any subsequent litigation of these proceedings, or in any other proceeding.

25. The Joint Petitioners acknowledge that the Settlement reflects a compromise of competing positions and does not necessarily reflect any Joint Petitioner's position with respect to any issues raised in this proceeding. The terms and conditions of the Settlement are limited to the facts of this specific case and are the product of compromise for the sole purpose of settling this case. This Settlement is presented without prejudice to any position which any of the Joint Petitioners may have advanced and without prejudice to the position any of the Parties may advance on the merits of the issues in future proceedings. This Settlement does not preclude the Joint Petitioners from taking other positions in proceedings of other public utilities under Section 1308 of the Public Utility Code, 66 Pa.C.S. § 1308, or any other proceeding. Nothing in this

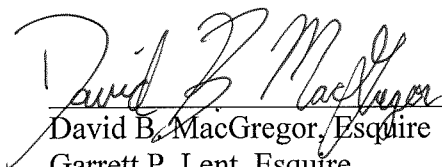
Paragraph is intended to abrogate a party's obligation to fulfill the requirements in the settlement, should the Commission approve the Joint Petition

26. If the ALJ adopts the Settlement without modification, the Joint Petitioners waive their right to file Exceptions.

VI. CONCLUSION

WHEREFORE, the Joint Applicants, I&E, OCA, OSBA, the NGS Parties, CEO, and Direct Energy respectfully request that the Honorable Administrative Law Judges Joel H. Cheskis and Benjamin L. Meyers recommend approval of and the Pennsylvania Public Utility Commission approve this Joint Petition for Approval of Settlement of All Issues.

Respectfully submitted,

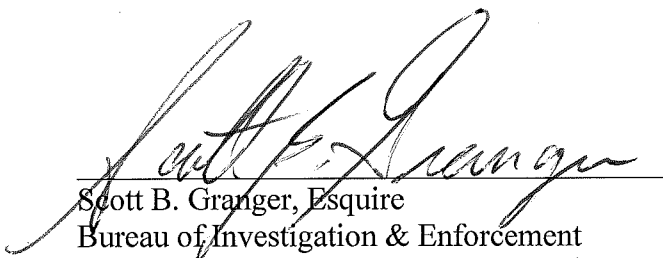


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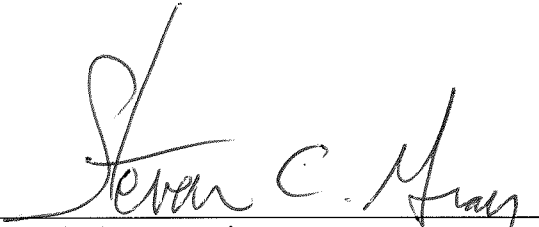
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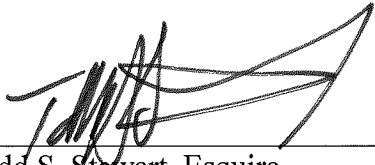
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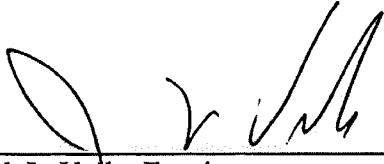
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