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July 20, 2018

**VIA ELECTRONIC FILING**

Rosemary Chiavetta, Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street, Filing Room  
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; Docket Nos. A-2018-3000381, A-2018-3000382, and A-2018-3000383; **SHIPLEY CHOICE, LLC, DOMINION RETAIL, INC., INTERSTATE GAS SUPPLY, INC. AND RHOADS ENERGY STATEMENT IN SUPPORT OF SETTLEMENT**

Dear Secretary Chiavetta:

Enclosed for filing with the Commission is the Statement in Support of Settlement of Shipley Choice, LLC, Dominion Retail, Inc., Interstate Gas Supply, Inc. d/b/a IGS Energy and Rhoads Energy (the "NGS Parties") in the above-captioned docket. Copies of this Memorandum have been served in accordance with the attached Certificate of Service.

Thank you for your attention to this matter. If you have any questions related to this filing, please do not hesitate to contact my office.

Very truly yours,

Todd S. Stewart  
*Counsel for Shipley Choice, LLC d/b/a Shipley Energy, Dominion Energy Solutions, Interstate Gas Supply, Inc. d/b/a IGS Energy, and Rhoads Energy ("Rhoads") (the "NGS Parties")*

TSS/das  
Enclosure

cc: Administrative Law Judge Joel H. Cheskis (via email and federal express)  
Administrative Law Judge Benjamin J. Myers (via email and federal express)  
Per 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 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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**THE NATURAL GAS SUPPLIER PARTIES'  
STATEMENT IN SUPPORT OF SETTLEMENT**

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

AND NOW, come Dominion Energy Solutions (“DES”), Interstate Gas Supply, Inc. d/b/a IGS Energy (“IGS”), and Shipley Choice LLC d/b/a Shipley Energy (“Shipley”) and Rhoads

Energy (“Rhoads”) (collectively “the NGS Parties”), and hereby submit their Statement in Support of the *Joint Petition for Approval of Settlement of All Issues* (“Settlement”) being filed simultaneously herewith. The NGS Parties respectfully submit that the settlement is in the public interest and should be approved by the Pennsylvania Public Utility Commission (“Commission”) as presented. In support thereof, the NGS Parties state as follows:

**I. Background**

On March 8, 2018, Joint Applicants filed the above-captioned Merger Application. The Merger Application seeks 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 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 also seek 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 that the Commission grant these authorizations by no later than August 23, 2018, so that the merger might close and become effective October 1, 2018.

Formal Protests were filed by OSBA and OCA. Petitions to Intervene were filed by and granted for OCA, 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. Joint Applicants submitted the Direct Testimony of Paul J. Szykman on June 1, 2018. On July 10, 2018, OCA, OSBA, the NGS Parties, and CEO filed Direct Testimony. Direct Energy and UGIII indicated that they would not be submitting Direct Testimony in this proceeding. Throughout the proceeding, the Joint Applicants responded to discovery requests submitted by other parties, and the Parties collectively engaged in numerous settlement conferences.

## **II. The NGS Parties' Positions**

The NGS Parties presented the testimony of James L. Crist in support of their initial position that the merger as presented is not in the public interest. In Mr. Crist's Direct Testimony, NGS Parties' Statement No. 1, he describes his concerns as follows:

1. **Unified supplier tariff.** A uniform tariff for transportation customers including Choice customers, and suppliers must be provided for the merged company, establishing uniformity of rules in each of the UGI Gas rate districts governing choice and, separately, non-choice transportation programs.
2. **Licensing of natural gas suppliers in all three areas.** Currently natural gas suppliers must be licensed in each of the three operating companies individually in the operating companies to provide transportation services within that company. This requirement should change with the closure of the merger and any existing license supplier in any one of the three operating companies should then be permitted to operate across the

UGI System without need to obtain additional licensing. Any new supplier should be required to only obtain one license which would apply across UGI.

3. **Switching Process.** The switching process at UGI simply takes too long. Unlike other gas distribution utilities, on UGI it can take up to two billing cycles after a customer is enrolled to finalize that customer's switch to an alternative gas supplier. The desirable rules for UGI post-merger would be that customer switches will be done effective at the beginning of the very next billing cycle following when the customer request was made. For example, a customer making such a request on the last day of his current billing cycle should be switched commencing with the next day which is the first day of the new billing cycle. Because it is likely that the Commission will set a switching standard that is similar to the switching standard in place for electric Choice, I propose that UGI accept and implement such a change currently.

4. **Capacity issues.** Currently UGI does not allow suppliers to manage their own capacity necessary to move gas onto the UGI system and manage the storage of the gas obtained by suppliers for customers. Each mandatory assignment of capacity or costs, and each mismatch between the value of assigned capacity and the cost of that capacity, saddles a natural gas supplier with decisions made by UGI that may not be the choices that the natural gas supplier would have made. These forced choices are a burden for the natural gas supplier and make it difficult to compete to provide gas supply to utility customers, since the natural gas supplier loses the ability to optimize its supply, transportation, and storage choices and costs

5. **Storage.** UGI does not provide physical storage to NGSs. Instead the NGS must purchase a bundled gas service from the Company to meet the winter demand of Choice

customers. This arrangement is inferior to actually releasing the capacity to the NGS for it does not allow the NGS similar flexibility. The present substitute offering of UGI includes a ratchet mechanism that causes increased costs to suppliers. To create equality, I recommend NGSs be allocated physical storage, or virtual storage which would allow more flexibility than the present approach. UGI does not provide the full value of the transportation capacity that suppliers are assigned. The NGS should have the option of purchasing released capacity, both pipeline and storage to meet their customers' needs.

6. **Purchase of Receivables.** As Mr. Szykman has already observed, only UGI Gas currently offers a purchase of receivable POR program -- this should be extended to CPG and PNG. Upon closure of the merger UGI should implement the same POR program across its entire system without delay.

7. **Budget Billing.** Budget billing is a requirement that utilities must offer to residential customers. The current budget billing programs of the three operating units are not consistent and this should be improved. If there is a delay in the Company implementing the POR program in CPG or PNG in the interim then the requirement to pay any balance in full prior to a switch must be removed.

8. **Financial Security.** The Financial Security requirement that a Choice Natural Gas Supplier must meet should be uniform across the entire UGI System. This change may be made immediately and not require any delay beyond the closure of the merger.

9. **Gas Supply issues.** The process now in place at UGI to reconcile and balance gas supplies to customer demand contains an adjustment mechanism tolerance band of +/- 10%. However, the cash in/cash out process ignores this tolerance band and forces NGSs to remedy a mismatch of supply and demand via the UGI cash in/out process in entirety.

For example, if a supplier is 15% long (overdelivered) then UGI will cash in (purchase the excess supplier gas at prices less than the supplier paid) for all 15%, rather than just taking it down to the 10% tolerance band. This process should be changed so that UGI would just cash in for 5% and keep the ending balance at 10% long. Changing the current cash in/out methodology is an internal process that should not require intensive information system programming. The change in this policy should be done upon closure of the merger across UGI.

10. **Metering issues.** To properly manage customer gas supplies an NGS must have accurate and timely customer metering data. The installation of automated meter reading devices on all non-choice transportation customer meters was addressed by UGI Gas in Docket No. P-2017-2607269 and should proceed with meter installation.

As can be discerned from this list of issues the NGS Parties raised numerous diverse issues regarding the present operation of the three UGI affiliates. These issues range from the amount of time it takes to switch a customer to the amount of capacity assigned to allow a supplier to serve a customer, to the lack of uniformity in the purchase of receivables and budget billing programs. Two of the issues are the subject of ongoing rulemaking proceedings and may eventually be addressed by the Commission. Nonetheless, the NGS Parties are intent on bringing the benefits of these efforts to customers as quickly as possible. The NGS Parties' position was that without addressing these issues, the proposed merger would not be in the public interest and should not be approved. In the view of the NGS Parties, the Settlement adequately addresses a sufficient number of these issues so that they can now support the approval of the Settlement and the underlying Application as modified by the Settlement.

### **III. Settlement Provisions Addressing NGS Parties' Issues**

There are a number of provisions of the Settlement that directly address the issues raised by the NGS Parties and which serve the public interest.<sup>1</sup> These are found in the Settlement at paragraphs 16 through 20 and include:

- A commitment to collaborate (§17) on a number of critical issues including:
  - to produce uniform tariffs for the three rate divisions of the merged entity. (§16(a))
  - Scheduled delivery confirmation process and improved communication (§16(b))
  - Improving the Imbalance cash-out process (§16(c))
  - Cost recovery for program changes (§16(d))
- Support for an NGS filing to allow for a unified NGS license for the UGI service territory that would reflect the fact that it will be a single company which goes hand-in-hand with UGI's agreement to provide for a unified supplier security instrument as well. (§s 18 & 19(a))
- Agreement to expand its Purchase of Receivables ("POR") program to include all three proposed rate divisions, under the same terms and conditions now provided in the UGI Utilities Inc. – Gas Division, service territory, which also will alleviate the problems noted above with the budget billing programs in the two affiliates that currently do not offer POR. (§ 19(b))

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<sup>1</sup> The NGS Parties take no position on Settlement ¶'s 1-15.



- A commitment to implement any Commission order in the Rulemakings at Commission Docket Nos. L-2016-2577413 (accelerated NGS switching) and L-2017-2619223 (capacity assignment) on the schedule imposed by any such orders, which should ensure timely compliance. (¶20)

#### **IV. The Settlement is in the Public Interest.**

A review of the list of issues affirmatively addressed by the Settlement and a comparison to the list of issues initially raised by the NGS Parties shows that most of the issues have been addressed in a manner that will improve the service provided to UGI customers. The Settlement does this in various ways, not the least of which is by allowing customers to enjoy the same services -- including POR which is a very important pre-condition for many NGSs to enter an NGDC service territory and improved budget billing, with the elimination of the “true-up” payment for customers who switch suppliers – across all three service territories. While it could be said that UGI would have eventually expanded the POR program to the other two divisions, the agreement to do so on an expedited basis is a win for customers and the NGSs that will now be able to better serve them.

Likewise, UGI has agreed to convene a collaborative with a goal of harmonizing and optimizing its tariffs across all three UGI entities. From a supplier perspective this is important because otherwise they would continue to face what are sometimes vastly different rules as between the three UGI affiliates. Unified tariffs mean simplified operation in the UGI service territories and less opportunity for errors, which translates into lower overhead for suppliers and UGI.

The collaborative also will address improvements to UGI’s current tariffs, that are in line with concerns raised by the NGS Parties, including improved communications, a delivery confirmation

process and revisions to the cash out protocols. The parties also have agreed that UGI will support a filing with the Commission seeking to unify the license requirements for NGSs serving in the UGI service territory, such that a single license would be needed for all three rate districts. Because UGI will be unifying its tariffs and other practices, it makes sense to simplify the interactions between UGI and the NGSs that serve customers on its system. This couples nicely with UGI's agreement to require only one security instrument across all three territories. Together these provisions will simplify interactions between UGI and suppliers, simplify the Commission's oversight of suppliers and reduce the possibilities of misunderstandings regarding which UGI a supplier, customer, or the Commission, is dealing with.

Lastly, UGI has agreed to implement the Commission's orders in the ongoing rulemaking proceedings concerning accelerated switching and capacity assignment, on the schedule required by the Commission. While this provision may seem hollow, in that UGI would ordinarily need to comply with such orders in any event, this provision nonetheless represents UGI's commitment to move the ball forward and address the issues that the NGS Parties, at least, feel stand in the way of more complete and open competition in the retail natural gas market in Pennsylvania.

As a whole, these Settlement provisions will advance the cause of a more transparent, efficient and egalitarian market for natural gas, where NGSs are on a more level field with the NGDCs and where customers stand to reap the benefits of better products and better service. The NGS Parties believe that the Settlement is therefore, in the public interest, and ask that it be approved as presented.

**V. Conclusion.**

For the for reasons set forth herein, the NGS Parties believe that the Settlement is in the public interest and ask that it be approved.

Respectfully submitted,



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DATED: July 20, 2018

**CERTIFICATE OF SERVICE**

I hereby certify that I have this day served a true copy of the foregoing document upon the parties, listed below, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a party).

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*Counsel for UGI Industrial Intervenors*

DATED: July 20, 2018

  
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