



17 North Second Street  
12th Floor  
Harrisburg, PA 17101-1601  
717-731-1970 Main  
717-731-1985 Main Fax  
www.postschell.com

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Garrett P. Lent

glent@postschell.com  
717-612-6032 Direct  
717-731-1979 Direct Fax  
File #: 171714

July 23, 2018

***VIA ELECTRONIC FILING***

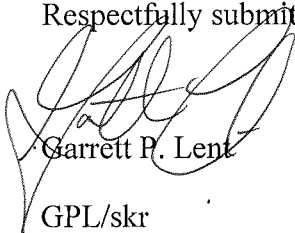
Rosemary Chiavetta, Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street, 2nd Floor North  
P.O. Box 3265  
Harrisburg, PA 17105-3265

**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 Statement in Support of the 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/skr  
Enclosures

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

**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**

Scott B. Granger, Esquire  
Bureau of Investigation & Enforcement  
Commonwealth Keystone Building  
400 North Street, 2nd Floor West  
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

Joseph L. Vullo, Esquire  
Burke Vullo Reilly Roberts  
1460 Wyoming Avenue  
Forty Fort, PA 18704  
*Counsel for Commission on  
Economic Opportunity*

Todd S. Stewart, Esquire  
Hawke McKeon & Sniscak LLP  
100 N. 10th Street  
Harrisburg, PA 17101  
*Counsel for the NGS Parties*

Daniel Clearfield, Esquire  
Kristine Marsilio, Esquire  
Eckert Seamans Cherin & Mellott, LLC  
213 Market Street, 8th Floor  
Harrisburg, PA 17101  
*Counsel for Direct Energy*

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

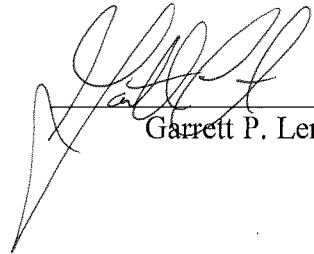
Robert D. Knecht  
Industrial Economics Incorporated  
Robert D. Knecht  
Industrial Economics Incorporated  
2067 Massachusetts Avenue  
Cambridge, MA 02140  
*Consultant for OSBA*

Jerome D. Mierzwa  
Exeter Associates Inc.  
Exeter Associates, Inc.  
10480 Little Patuxent Parkway  
Suite 300  
Columbia, MD 21044  
*Consultant for OCA*

**VIA FIRST CLASS MAIL:**

Orlando Magnani, President  
Randy Energy Consultants, LLC  
19561 Caladesi Drive  
Esterro, FL 33967  
*Consultant for Direct Energy*

Date: July 23, 2018



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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 :

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**UGI UTILITIES, INC., UGI CENTRAL PENN GAS, INC.,  
AND UGI PENN NATURAL GAS, INC.**

**STATEMENT IN SUPPORT OF  
JOINT PETITION FOR APPROVAL OF  
SETTLEMENT OF ALL ISSUES**

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Date: July 23, 2018

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## **I. INTRODUCTION**

UGI Utilities, Inc. (“UGI”), UGI Central Penn Gas, Inc. (“CPG”), and UGI Penn Natural Gas, Inc. (“PNG”) (collectively, the “Joint Applicants”) hereby submit this Statement in Support of the Joint Petition for Settlement of All Issues (“Settlement”) entered into by the Bureau of Investigation and Enforcement (“I&E”), the Office of Consumer Advocate (“OCA”), the Office of Small Business Advocate (“OSBA”), the NGS Parties,<sup>1</sup> the Commission for Economic Opportunity (“CEO”), and Direct Energy,<sup>2</sup> all Parties to the above-captioned proceeding (hereinafter, collectively the “Joint Petitioners” or the “Parties”).<sup>3</sup> The Settlement represents a full resolution of all issues raised in the instant proceeding.

The Joint Petitioners unanimously agree that the Joint Applicants’ March 8, 2018 Merger Application should be approved, subject to the terms and conditions of the Settlement. The Settlement provides CPG and PNG will be permitted to merge with and into UGI, as described in the Merger Application, subject to the conditions set forth in the Settlement. As part of these comments, UGI requests that the ALJ and the Commission to approve the Settlement promptly, so that the internal corporate reorganization contemplated by the Settlement may be completed October 1, 2018, the beginning of UGI’s next fiscal year.

The Joint Applicants herein submit this Statement in Support of the Proposed Transaction as modified and subject to the terms and conditions of the Settlement. The Settlement reflects a carefully balanced compromise of the interests of the Joint Petitioners. The Joint Applicants submit that the Settlement is in the public interest, just and reasonable, and supported by substantial evidence and, therefore, should be approved without modification. For the reasons

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

<sup>2</sup> Direct Energy collectively refers to Direct Energy Business, LLC, Direct Energy Services, LLC, and Direct Energy Business Marketing, LLC.

<sup>3</sup> 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.

explained below, the Joint Applicants 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 the Merger Application, subject to the terms and conditions of the Settlement.

## **II. STANDARD FOR APPROVAL OF A SETTLEMENT**

Commission policy promotes settlements. *See* 52 Pa. Code § 5.231. Settlements lessen the time and expense that parties must expend litigating a case and, at the same time, conserve administrative resources. The Commission has indicated that settlement results are often preferable to those achieved at the conclusion of a fully litigated proceeding. *See* 52 Pa. Code § 69.401.

The Commission has explained that parties to settled cases are afforded flexibility in reaching amicable resolutions, so long as the settlement is in the public interest. *Pa. PUC v. MXenergy Electric Inc.*, Docket No. M-2012-2201861, 2013 Pa. PUC LEXIS 789, 310 P.U.R.4th 58 (Opinion and Order entered Dec. 5, 2013). In order to approve a settlement, the Commission must first determine that the proposed terms and conditions are in the public interest. *Pa. PUC v. Windstream Pennsylvania, LLC*, Docket No. M-2012-2227108, 2012 Pa. PUC LEXIS 1535 (Opinion and Order entered Sept. 27, 2012); *Pa. PUC v. C.S. Water and Sewer Assoc.*, Docket No. R-881147, 74 Pa. PUC 767 (Opinion entered July 22, 1991).

As explained in the next section of this Statement in Support, the Joint Applicants believe that the Settlement is just and reasonable and in the public interest and, therefore, should be approved without modification.

## **III. THE SETTLEMENT IS IN THE PUBLIC INTEREST**

The Joint Petitioners agree that the Settlement is in the public interest. (Settlement ¶ 22) The Settlement was achieved only after a comprehensive investigation of the Joint Applicants’

proposals set forth in the Merger Application. In addition to informal discovery, the Joint Applicants responded to formal discovery requests. The active parties filed two rounds of testimony, including the Joint Applicants' direct testimony and the other parties' direct testimony. Further, the Parties engaged in numerous settlement discussions and formal negotiations, which ultimately led to the Settlement.

The active parties to this proceeding undertook significant time and effort to reach a full settlement of all issues, in an abbreviated period. In order to achieve the Settlement, the active parties each had to compromise on different and competing issues and proposals raised in this case. In some instances, and in exchange for reaching an agreement on other issues, the parties collectively agreed to accept/reject a certain party's litigation position or to meet somewhere in between competing litigation positions. As such, in order to determine whether it is reasonable and in the public interest, the Settlement should be viewed as a whole, in addition to a review of each individual Settlement term.

The Settlement reflects a carefully balanced compromise of the competing interests of the active Parties in this proceeding. (Settlement ¶ 25) The Parties in this proceeding, their counsel, and their expert consultants have considerable experience in merger and acquisition proceedings. Their knowledge, experience, and ability to evaluate the strengths and weaknesses of their litigation positions provided a strong base upon which to build a consensus in this proceeding on the settled issues. The fact that the Settlement is unopposed, in and of itself, provides strong evidence that the Settlement is reasonable and in the public interest, particularly given the diverse interests of these Parties and the active role they have taken in this proceeding.

For these reasons and the more specific reasons set forth below, the Settlement as a whole is just, reasonable, and in the public interest. Therefore, the proposals set forth in the Joint



Applicants' Merger Application should be approved subject to the terms and conditions of the Settlement. (Settlement ¶ 22)

**A. GENERAL**

The proposed merger, as conditioned by the Settlement, will produce substantial affirmative public benefits immediately upon closing and additional benefits in the future. As explained in the Merger Application and the Joint Applicants' testimony, the proposed merger will proposed substantial administrative, operational, capital and regulatory efficiency benefits. (Exhibit PJS-2, Merger Application ¶¶ 66-84; UGI St. No. 1, pp. 16-27) These efficiencies result from the consolidation of certain business functions performed in duplicate or triplicate form by three companies, being performed by a single company post-merger.

The Settlement provides that CPG and PNG will be permitted to merge with and into UGI and become part of the UGI Utilities, Inc. - Gas Division ("UGI Gas"), as described in the Application, subject to the conditions set forth in the settlement. (Settlement ¶ 1) Upon the close of the merger, 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 Gas Division and make other necessary conforming changes. Importantly, as noted in the Merger Application, the proposed merger does not involve the merger of unrelated, and unaffiliated utilities; rather it involves the consolidation of three, affiliated natural gas distribution companies whose operation and management have become increasingly integrated over time. (Exhibit PJS-2, Merger Application ¶ 52) The Joint Applicants submit that the proposed merger constitutes an internal reorganization resulting in no change in service or rates to customers that meets the required statutory standard. *Joint Application of PaeTec Communications, Inc. and Parklink Communications Systems, Inc.*, Docket Nos. A-310743 F0005 and A-310815 F0002 (Order entered April 17, 2000) ("the proposed merger will be

completely seamless to ... existing customers in terms of the service they will receive ... the proposed internal reorganization will have no adverse effect on [the] current provision of intrastate telecommunications services ... These advantages ensure the proposed merger satisfies the standards set by the *City of York v. Pa.P.U.C.* ...[and] that the merger provides an affirmative public benefit.”); *Joint Application of Pittsburgh Thermal et al.*, Docket Nos. A-130001 and A-130000 F0002 (Order entered September 1, 2000).

The merger of CPG and PNG, with and into UGI will provide significant public benefits. As explained in the Merger Application and the Joint Applicants’ testimony, UGI Gas, PNG, and CPG have been operating under one corporate umbrella since 2006 for PNG and 2008 for CPG, when PNG and CPG were acquired by UGI. (UGI St. No. 1, p. 17) During this time, major strides have been taken to combine the operations and administration of these separate natural gas utilities. These efforts include the UGI-1 Initiative, which is a company-wide management effectiveness initiative focusing on people, tools and processes. UGI-1 includes a number of fundamental improvement efforts, including such programs as: UNITE technology improvement project; the “Making a Difference” safety improvement program; the migration of all employee computer workstations to a set of common workplace applications; the migration of all field employees to a single set of gas operations and construction processes and specifications; building and grounds improvements and renovations; natural gas pipeline facility extension and betterment programs; an enhanced focus on physical and cyber security; and a range of enhanced and expanded employee development and training programs. (UGI St No. 1, pp. 11-2) The long-term goal of UGI-1 is to place all of the Joint Applicants’ operations on a common set of information systems, tools, equipment, and uniform work management and performance platforms.

The proposed merger of these three utility companies into one company is fully consistent with the long-term goal of single company operation and the efficiencies that may be obtained therefrom. The proposed merger of UGI, PNG, and CPG into one natural gas distribution company will produce its own administrative, capital, operational, and regulatory efficiencies, and will more formally reflect and incorporate the ongoing actual operations of these companies. (Merger Application ¶ 68; *see also* UGI St. No. 1, pp. 11-16) The result of the proposed merger is that the corporate form of the Joint Applicants will follow the substance of their increasing integrated operations.

For these reasons, and those more fully explained below, the Joint Applicants request that, pursuant to Section 1102(a)(3) of the Public Utility Code, the Commission approve the merger of CPG and PNG with and into UGI, and that the Commission issue an appropriate certificate of public convenience authorizing the same.

#### **B. TRANSPARENCY OF DATA/RATEMAKING**

In the Merger Application and their Direct Testimony, the Joint Applicants demonstrated that substantial administrative, operational, capital and regulatory efficiencies would result from the proposed merger. (Merger Application ¶¶ 69-84; *see also* UGI St. No. 1, pp. 16-27) As to administrative efficiency, the Joint Applicants explained that, by merging the three entities, only one set of books of accounts, income statements, and balance sheets will be needed, all of the current inter-company transactions among the gas businesses can be eliminated, layers of transactions among the three gas utilities with the same vendors will be reduced to single sets of transactions with UGI, and the need for layers of regulatory, tax, and other governmental filings will be eliminated. (UGI St. No. 1, p. 18) While certain duplicate and triplicate functions could not be eliminated until such time as the Company is permitted to move towards uniform rates, the Company also explained that it would track this information by service and rate district until

such time when the Commission approves uniform rates for the three rate districts. (UGI St. No. 1, pp. 19-20)

Relatedly, as to regulatory efficiency, the elimination of multiple submissions would remove burdens on the three companies including, the initial preparation of triplicate filings, managing and responding to triplicate sets of data requests, and litigating triplicate matters before the Commission. (UGI St. No. 1, pp. 23-24) The Joint Applicants specifically noted that, with respect to rate litigation alone, that they believe the savings among the Companies could be in the magnitude of \$500,000- \$1,000,000 in legal and expert fees every four years. (UGI St. No. 1, p. 24) Similarly, the proposed merger would eliminate the need to file and maintain a number of affiliated interest agreements that are only necessary because of the current separate corporate forms of UGI, CPG and PNG. (UGI St. No. 1, pp. 24-25)

Importantly, the Joint Applicants further demonstrated that its customers and employees would benefit from the merger. (UGI St. No. 1, pp. 26-30) The Joint Applicants' customers would benefit from the efficiencies of the merger either immediately upon closing, or once uniform rates are established. (UGI St. No. 1, p. 26) The Joint Applicants noted that customers will not see a rate change as a result of the merger. (UGI St. No. 1, p. 27) As for the Joint Applicants' employees, their administrative, accounting, and regulatory functions will be simplified, allowing these employees to learn the new systems, develop new processes around them and train new employees to become proficient more rapidly. (UGI St. No. 1, p. 29) In addition, any employees subject to collective bargaining and related contracts will be unaffected by the merger. (UGI St. No. 1, p. 30)

The NGS Parties, OSBA and CEO suggested in the respective testimony that the Joint Applicants had not precisely quantified the efficiency benefits that would be achieved by the

merger, or that certain benefits would not inure to ratepayers until uniform rates for the consolidated UGI were adopted. (*See* NGS Parties St. No. 1, p. 5; OSBA St. No. 1, pp. 5-6; CEO St. No. 1, pp. 3-5) OCA also noted that the Joint Applicants were not attempting to consolidate rates in this proceeding, and that the Companies should be required to continue to file separate Chapter 71 financial reports. (OCA St. No. 1, pp. 4-5)

In response, the Settlement provides that UGI will maintain pre-merger accounting records for the 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. (Settlement ¶ 3) Upon close of the merger, UGI will be permitted to implement consolidated cost accounting for the consolidated UGI Gas, 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.). (Settlement ¶ 4) In addition, 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. (Settlement ¶ 5) UGI will also 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 (Settlement ¶ 6)

In addition, in its first base rate case post-merger, UGI Gas 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 requirements set forth in subparts (a) through (c) of Paragraph 7 of the Settlement. (Settlement ¶ 7) UGI will also 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. (Settlement ¶ 11)

The Settlement also permits UGI to file consolidated reports to achieve the above described efficiency benefits. In particular, UGI will be permitted to file a single Chapter 71 Financial Earnings report each quarter it is required to file one (Settlement ¶ 8), a single PUC Annual Report in accordance with 52 Pa. Code Section 59.48 (Settlement ¶ 9), and except as provided in Paragraph 6 of the Settlement, UGI will be permitted to consolidate all other PUC reports applicable to gas utilities on a consolidated UGI Gas Division basis (Settlement ¶ 10)

The aforementioned Settlement provisions related to Transparency of Data/Ratemaking recognize and allow for UGI's customers and employees to benefit from the increased administrative, operational, capital and regulatory efficiencies of the Merger. (Settlement ¶¶ 4, 7-10) These conditions also balance the proposals of certain parties that UGI to maintain separate certain books, records and filings for each rate district until such time as uniform rates are approved and implemented by the Commission. (Settlement ¶¶ 3-6) The Joint Applicants submit that these provisions are in the public interest because they balance the immediate efficiencies benefits of the Merger with the need to move toward uniform rates for UGI, so that additional efficiency benefits can result. In addition, the Joint Applicants submit that these

provisions represent an appropriate balance of the parties' competing litigation positions in this proceeding.

### **C. LOW INCOME PROGRAMS**

The Joint Applicants explained that the merger should result in little change to the service provide to low-income customers, because the Companies' current Universal Service Programs are managed in an integrated fashion. (UGI St. No. 1, p. 29) The rules and other characteristics of those programs will continue to be reviewed and approved by the Commission post-merger through the Triennial Universal Service Program Filings and UGI will continue to use the same community-based organizations in the administration of its universal services programs. (UGI St. No. 1, p. 29) The Company also explained that, because rate districts would be maintained, the merger would not impact Customer Assistance Program ("CAP") customers. (UGI St. No. 1, p. 30) Finally, the Companies proposed to develop a baseline for CAP participation as of the closing date of the merger to measure the effectiveness of their Universal Service Programs throughout the consolidated gas territory. (UGI St. No. 1, p. 30)

CEO recommended that a portion of any savings resulting from the merger should be passed along to low-income customers via an increase in Low Income Usage Reduction Program ("LIURP") funding. (CEO St. No. 1, pp. 5-7) CEO also recommended that the consolidated UGI continue to use the CBOs that the existing companies currently use. OCA similarly recommended that the Companies continue to track Universal Service spending and need by rate district, and maintain current spending levels in each rate district post-merger. (OCA St. No. 1, p. 5)

Paragraphs 12-15 of the Settlement resolve the low-income program issues in this proceeding. The Settlement requires the consolidated UGI Gas to 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. (Settlement ¶ 12) Future Universal Service Triennial plans will continue to recognize the UGI Gas service territory by maintaining existing or designing new programs for the purpose of encouraging program enrollment, and the parties to this proceeding will be provided notice of the filing of future Triennial plans. (Settlement ¶ 13) In addition, to track Universal Services program participation geographically, UGI will maintain records of customers enrolled in CAP, customers who received LIURP treatment, and other universal service benefits, on a county-by-county basis, using county level participation for the fiscal year ending September 30, 2018, as a baseline. (Settlement ¶ 14) Finally, UGI will continue to use the same CBOs that are currently used, subject to continued Commission oversight and approval, and CBO performance. (Settlement ¶ 15)

Under these provisions of the Settlement, the proposed Merger will maintain existing, collectively administered Universal Services programs that assist low-income customers in receiving safe, reliable, and efficient natural gas service. In addition, the recording of county-by-county participation in Universal Services programs will provide baseline data that will serve as an important information for the future consolidation of the Companies' Universal Service offerings. As such, the Joint Applicants submit that these provisions are in the public interest and should be approved.

#### **D. GAS CHOICE AND NON-CHOICE TRANSPORTATION**

The Joint Applicants demonstrated that the proposed Merger will not result in anti-competitive or discriminatory conduct in the retail market for natural gas in Pennsylvania, nor will it have any adverse effect on the retail natural gas market in Pennsylvania, because all rates, terms and conditions that have an impact on retail competition in the service territories will remain unchanged in the initial tariffs through the implementation of the separate service and



rate districts. (Merger Application ¶¶ 85-86; *see also* UGI St. No. 1, pp. 31-33) In fact, as explained in their Direct Testimony, the competitive marketplace will benefit by the creation of additional uniform rules pursuant to the Merger. (UGI St. No. 1, p. 32) To ensure movement toward uniform gas choice and non-gas choice transportation program rules in the future, UGI proposed to initiate a collaborative process to discuss and, where consensus can be achieved, make a tariff filing to create uniform rules without the need to file a base rate proceeding, within thirty (30) days of the close of the Merger. (UGI St. No. 1, pp. 32-33)

The NGS Parties and OCA submitted testimony addressing gas choice and non-gas choice transportation issues. The NGS Parties suggested that certain rules and other issues related to gas choice and non-gas choice transportation could be improved promptly upon closure of the Merger, without an additional collaborative. (NGS Parties St. No. 1, pp. 6-7) In addition, the NGS Parties raised issues related to: (1) a unified supplier tariff; (2) licensing of natural gas suppliers in all three rate districts; (3) the switching process; (4) capacity assignment and management; (5) storage; (6) purchase of receivables; (7) budget billing; (8) financial security requirements; (9) gas supply; and (10) metering. (NGS Parties St. No. 1, pp. 7-13) OCA noted that it does not oppose adopting uniform supplier tariffs. (OCA St. No. 1, p. 5)

The Settlement provides that on or before September 30, 2018, UGI, the NGS Parties and other interested parties will meet and initiate a collaborative process to develop an initial uniform gas choice and non-choice transportation programs proposal. (Settlement ¶ 16) In conjunction with this process, no later than February 28, 2019, UGI shall propose uniform rules governing the gas choice and non-gas choice transportation programs throughout the UGI Gas service territory, either as a part of a base rate proceeding or a limited purpose tariff filing. (Settlement ¶ 17) UGI will also support the filing of a license amendment or petition for declaratory ruling

by one or more natural gas suppliers 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. (Settlement ¶ 18) UGI also shall propose, by no later than October 30, 2018, one or more limited purpose tariff filing(s) to modify the financial surety requirements applicable to natural gas supplies on the consolidated distribution system, and to expand the pre-merger purchase of receivable program to the UGI Central and UGI North rate districts. (Settlement ¶ 19) Finally, UGI commits to implementing any order issued by the Commission at Docket No. L-2016-2577413 related to accelerated NGS switching, and L-2017-2619223 related to capacity assignments, within the timeframes established by such order. (Settlement ¶ 19)

These Settlement provisions will continue UGI's movement toward a uniform and streamlined set of rules applicable to natural gas supplies participating in its gas choice and non-choice transportation programs. The proposed Merger will enhance retail competition in the consolidated UGI service territory. Therefore, UGI submits that these settlement provisions are in the public interest and should be approved.

#### **E. AFFILIATED INTEREST ISSUES**

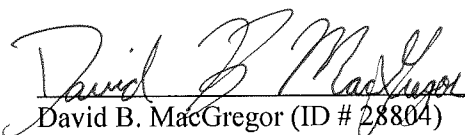
Finally, the Settlement provides that all currently effective affiliate interest arrangements between UGI and affiliates will remain effective, except those agreements that are based on CPG and PNG being separate corporate entities will be terminated effective upon closing of the merger. (Settlement ¶ 21) The elimination of such agreements achieves substantial administrative and regulatory efficiencies, as described in the Merger Application and the Joint Applicants' testimony. (Merger Application ¶¶ 96-97; *see also* UGI St. No. 1, pp. 24-25) As such, the Joint Applicants submit that this provision of the Settlement is in the public interest.

#### IV. CONCLUSION

The Settlement is the result of a detailed examination of the Joint Applicants' proposals, discovery requests, the parties' testimony, numerous settlement discussions, and compromise by all active parties. The Joint Applicants believe that fair and reasonable compromises have been achieved on the settled issues in this case, particularly given the fact that the active parties have diverse and competing interests, and have reached an agreement on all issues. The Joint Applicants fully support this Settlement and respectfully request that Administrative Law Judges Joel H. Cheskis and Benjamin L. Meyers and the Pennsylvania Public Utility Commission:

- (i) Approve the Joint Petition for Settlement of All Issues without modification;<sup>4</sup> and
- (ii) Approve the proposals set forth in the Joint Applicants' above-captioned March 8, 2018 Merger Application, subject to the terms and conditions of the Joint Petition for Settlement of All Issues.

Respectfully submitted,



David B. MacGregor (ID # 28804)

Garrett P. Lent (ID # 321566)

Post & Schell, P.C.

17 North Second Street

12th Floor

Harrisburg, PA 17101-1601

Phone: 717-731-1970

Fax: 717-731-1985

E-mail: dmacgregor@postschell.com

E-mail: glent@postschell.com

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  
460 North Gulph Road  
King of Prussia, PA 19406  
Phone: 610-768-3631  
Phone: 610-768-3628  
E-mail: murphyke@ugicorp.com  
E-mail: morrowm@ugicorp.com

Date: July 23, 2018

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

<sup>4</sup> UGI reiterates its request that the ALJs and Commission act promptly so that the internal corporate reorganization contemplated by the Joint Application and Settlement may be completed by October 1, 2018, the beginning of UGI's next fiscal year.