



COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
P.O. BOX 3265, HARRISBURG, PA 17105-3265

IN REPLY PLEASE
REFER TO OUR FILE

July 25, 2018

Secretary Rosemary Chiavetta
Pennsylvania Public Utility Commission
Commonwealth Keystone Building, Second Floor
400 North Street
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 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

Dear Secretary Chiavetta:

Enclosed please find the Bureau of Investigation and Enforcement's (I&E) **Statement in Support of Settlement** in the above-captioned proceeding.

Copies are being served on parties as identified in the attached certificate of service. If you have any questions, please contact me at 717-425-7593.

Sincerely,

Scott B. Granger
Prosecutor
Bureau of Investigation and Enforcement
PA Attorney I.D. No. 63641

SBG/snc
Enclosure

cc: ALJ Joel H. Cheskis
ALJ Benjamin A. Myers
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. : A-2018-3000381
: A-2018-3000382
: A-2018-3000383

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. :

BUREAU OF INVESTIGATION AND ENFORCEMENT
STATEMENT IN SUPPORT OF
JOINT PETITION FOR SETTLEMENT

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

The Bureau of Investigation and Enforcement (“I&E”) of the Pennsylvania Public Utility Commission (“Commission”), by and through its Prosecutor, Scott B. Granger, hereby respectfully submits that the terms and conditions of the Joint Petition for Approval of Settlement of All Issues (“Joint Petition” or “Settlement”) are in the public interest and represent a fair, just, and reasonable balance of the interests of the three UGI gas companies: (1) UGI Utilities, Inc., - Gas Division. (“UGI Gas”); (2) UGI Penn Natural Gas, Inc. (“PNG”); and (3) UGI Central Penn Gas, Inc. (“CPG”) or collectively, the “UGI Gas Companies,” and the parties to this proceeding.

I. BACKGROUND

1. I&E is charged with representing the public interest in Commission proceedings related to rates, rate-related services, and applications affecting the public interest. In negotiated settlements, it is incumbent upon I&E to identify how amicable resolution of any such proceeding may benefit the public interest and to ensure that the public interest is served. Based upon I&E’s analysis of the UGI Gas Companies Joint Application for Agreement and Plan of Merger (“Merger Application” or “Merger”), acceptance of this proposed Settlement is in the public interest and I&E recommends that the Administrative Law Judges and the Commission approve the Settlement in its entirety.

2. On March 8, 2018 the three UGI Gas Companies (the “Applicants”) filed the Merger Application requesting all necessary authority, approvals and certificates of

public convenience from the Pennsylvania Public Utility Commission pursuant to Sections 1102(a)(1)-(3), 2102(a), and 2210 of the Public Utility Code (“Code”), 66 Pa. C.S. §§ 1102(a)(1)-(3), 2102(a), and 2210, authorizing: (1) an Agreement and Plan of Merger; (2) the merger of PNG and CPG with and into UGI Gas; (3) the initiation by UGI Gas 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 Gas of PNG’s and CPG’s existing tariffs and their application within new service and rate districts of UGI Gas corresponding to their existing service territories as UGI North and UGI Central, respectively; (7) the adoption by UGI Gas 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 are seeking all other approvals and certificates appropriate, customary, or necessary under the Code to carry out the transactions contemplated in the Application in a lawful manner.

3. The Applicants also propose to separately maintain and file a number of items, including purchased gas cost portfolios and rate, Energy Efficiency and Conservation programs, Universal Service programs and budgets, Long-Term Infrastructure Improvement Programs (“LTIIIPs”), and Distribution System Improvement Charges (“DSICs”). However, the Applicants propose to submit financial reports required under 52 Pa. Code § 71.1 *et. seq.* (“Chapter 71”) of the Commission’s

regulations, annual reports required under 52 Pa. Code § 59.48, and other required reports on a consolidated basis.

4. The Office of Consumer Advocate (“OCA”) and the Office of Small Business Advocate (“OSBA”) filed their Formal Protests April 9, 2018.

6. The UGI Industrial Intervenors (“UGIII”); Direct Energy Business, LLC, Direct Energy Services, LLC and Direct Energy Business Marketing, LLC (collectively “Direct Energy”); and Dominion Energy Solutions, interstate Gas Supply, Inc. d/b/a IGS Energy and Shipley Choice LLC d/b/a Shipley Energy, Rhoads Energy (collectively “the NGS Parties”) all filed their Petitions to Intervene on April 9, 2018.

7. The Commission on Economic Opportunity (“CEO”) filed its Petition to Intervene on April 10, 2018.

8. I&E filed its Notice of Appearance on April 11, 2018.

9. On April 19, 2018, the Commission’s Office of Administrative Law Judge issued a Hearing Notice scheduling the Initial Prehearing Conference for Monday, May 14, 2018, at 10:00 AM before Administrative Law Judges Joel H. Cheskis and Benjamin J. Meyers (the “ALJs”).

10. The ALJs held a prehearing conference on May 14, 2018, during which the parties agreed to a schedule for the conduct of the case including the service of testimony among the parties and the dates for evidentiary hearings. No party recommended public input hearings were necessary.

11. I&E did not submit direct testimony in this proceeding. Nevertheless, I&E shares the concerns of both OCA and OSBA as expressed in their respective direct testimonies; and I&E expressed its concerns during the settlement negotiations.

12. In accordance with Commission policy favoring settlements at 52 Pa. Code § 5.231, the parties held a series of settlement conference calls and negotiation sessions starting shortly after the Merger Application was filed and continuing through the day settlement terms were finally agreed to by all parties. All parties agree that the Settlement in the Merger Application proceeding is a precursor to the eventual base rate unification filing that the newly formed UGI Gas Division will file in the future. All parties agree that the next base rate filing encompassing all three of the new rate districts will be an arduous task.

II. TERMS AND CONDITIONS OF SETTLEMENT

A. Settlement is in the Public Interest (Joint Petition ¶ 22):

I&E submits that the Settlement fairly balances the interests of the UGI Gas Companies, the Joint Petitioners, and the UGI Gas Companies' ratepayers in a fair and equitable manner and presents a compromise resolution for the Commission's adoption that best serves the public interest. Accordingly, for the specific reasons articulated below, I&E supports the Settlement.

B. The Merger (Joint Petition ¶¶ 1-2):

In the Settlement, the Joint Petitioners agree that CPG and PNG will be permitted to merge with and into UGI Utilities, Inc., as described in the Merger Application, subject to the conditions set forth in the Joint Petition. 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.

I&E did not file direct testimony regarding the UGI Gas Companies’ proposals set forth in the Merger Application. Nevertheless, I&E shares the concerns of the OSBA and the OCA regarding the claimed affirmative public benefits that will result from the Merger (OSBA St. No. 1, pp. 3-6; OCA St. No. 1, p. 4). I&E agrees with the OSBA that approval of the Merger requires substantial evidence to support a finding that the Merger will affirmatively promote the service, accommodation, convenience, or safety of the public in some substantial way (OSBA St. No. 1, p. 3). I&E also agrees with the OSBA that the Commission may, at its discretion, impose conditions that are adequate to provide substantial public benefits to ensure that the proposed Merger is in the public interest (OSBA St. No. 1, p. 4).

The UGI Gas Companies claim the affirmative benefits will include administrative, operational, capital, and regulatory efficiencies (UGI St. No. 1, pp. 16-26). These claims by the UGI Gas Companies were the subject of extensive discussions in the settlement negotiations in this proceeding. Generally, the parties agreed that the Merger should produce administrative and regulatory efficiencies as a result of merging three regulated utility companies into one. Regarding the operational efficiencies and the capital efficiencies; the statutory parties expressed some concern whether the same benefits could not also be achieved in the current configuration without the Merger.

Further, the statutory parties noted that, generally, the claimed affirmative benefits will not flow to the ratepayers until the next base rate case for the newly created UGI Gas Division (OSBA St. No. 1, pp. 6, 9-13; OCA St. No. 1, p. 4). The statutory parties also expressed concerns regarding the newly created UGI Gas Division's desire to move headlong towards harmonized rates for all rate classes across the three rate districts; which all parties anticipate will begin with the filing of the next UGI Gas Division's base rate proceeding.

Therefore, after extensive negotiations, I&E supports the Settlement terms set forth in Paragraphs 1 and 2 of the Joint Petition. I&E believes these terms represent a fair balance of the interests expressed by all the parties during the Settlement negotiations. The negotiated Settlement terms are the logical conclusion of the Merger Applications.

C Transparency of Data / Regulatory Efficiencies / Future Base Rate Proceeding (Joint Petition ¶¶ 3-11):

In the Settlement, the Joint Petitioners agree that UGI will maintain pre-merger accounting records for old UGI Gas, 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. Further, 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 Division service territory, UGI Gas Division 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.

The Settlement also provides, in addition to the consolidated books of account provided in Paragraph No. 4 of the Joint Petition, UGI Gas Division 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. Additionally, UGI Gas Division will maintain the capacity to file, and will file, the reports and other filings identified in Paragraph 40 of the Merger Application on a rate district by rate district basis until the earlier of such time as UGI Gas Division has achieved uniform rates among the rate districts or such time as the Commission otherwise approves.

Further, the Settlement provides, 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.

Regarding regulatory efficiencies, 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. Further, 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. And, except as provided in Paragraph No. 6 of the Joint Petition, UGI Gas Division will be permitted to consolidate all other PUC reports applicable to gas utilities on a consolidated UGI Gas Division basis.

Finally, the Settlement provides, 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.

As stated previously, I&E did not file direct testimony regarding the UGI Gas Companies' proposals set forth in the joint Merger Application. Nevertheless, I&E shares the concerns of the OSBA and the OCA regarding the effects going forward of the Merger on the transparency of data and future base rate proceedings (OSBA St. No. 1, pp. 7-13; OCA St. No. 1, p. 4-5).

Further, while the joint Merger Application does not provide for the consolidation of base rates, the Application does indicate that it is the intention of the newly formed UGI Gas Division to consolidate base rates in future rate case filings (UGI St. No. 1, p. 10; *see also* OCA St. No. 1, p. 3). During settlement negotiations, the statutory parties expressed their belief that it will be important to review any future base rate proposal based upon a detailed plan, adequate cost of service information, and a full identification of any efficiencies and benefits to customers. The statutory parties noted that each of the UGI Gas Companies service different service territories, and the costs associated with providing service in each territory are different (OCA St. No. 1, p. 4; OSBA St. No. 1, p. 7. *But see* UGI St. No. 1, p. 25).

Additionally, the statutory parties also expressed some concern regarding the UGI Gas Companies' desire to file a combined Chapter 71 financial report. The concern is that this is particularly important in relation to the DSIC since the Chapter 71 financial report provides the information necessary pertaining to the important consumer protections regarding the application of the DSIC (OCA St. No. 1, p. 4). The situation

may occur, by combining the Chapter 71 financial reports of the three UGI Gas Companies, where it could result in having the unintended consequence of allowing one division with a higher rate of return to avoid the consumer protections simply because the other two divisions have a lower rate of return (OCA St. No. 1, p. 4).

Finally, the biggest concern expressed by the statutory parties is, by approving the Merger as proposed, will necessarily mean that the rates for the three divisions will be harmonized, since no cost basis will continue to exist by which differentials could be derived (OSBA St. No. 1, p. 8). Further, the concerns remain that much of the proposed public benefits associated with the Merger can be achieved only as long as the Commission is convinced that combining the three separate utilities into a single company and that harmonizing all of the rates is in the public interest (OSBA St. No. 1, p. 8). A cursory analysis reveals that, overall, the current CPG customers would benefit substantially; the current PNG customers would be negatively impacted; and the current UGI Gas customers would face modest base rate increases mostly offset by reductions in PGC rates (OSBA St. No. 1, p. 11).

In consideration of the above and after extensive negotiations, I&E supports the negotiated Settlement terms as stated in the Joint Petition, Paragraphs 3 to 11. I&E believes these terms represent a full and fair compromise that provides the Joint Petitioner's with a Settlement that balances the interests expressed by all of the parties during the Settlement negotiations and is in the public interest.

D. Low Income Programs (Joint Petition ¶¶ 12-15):

In the Joint Petition for Settlement the Joint Petitioners agreed that 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. Further, 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. Additionally, 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. 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.

I&E did not submit testimony regarding the Low-Income Programs issues. Nevertheless, I&E monitored and reviewed the proposals offered by the various Parties throughout this proceeding and the settlement negotiations. I&E shares the interests and

concerns regarding these issues raised by some of the Joint Petitioners. I&E also expressed interests and concerns regarding these issues as they pertain to the effect they may have on the entire base of newly formed UGI Gas Division ratepayers.

In consideration of the above, I&E does not oppose the settled upon terms as stated in the Joint Petition, Paragraphs 12 to 15, as a full and fair compromise that provides the interested Joint Petitioners with resolution of these issues, all of which is in the public interest.

E. Gas Choice and Non-Choice Transportation (Joint Petition ¶¶ 16-20):

The UGI Gas Companies agree, in the Settlement, that 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.

In conjunction with the collaborative process provided in Joint Petition, Paragraph 16, 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.

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.

Further, 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.

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.

I&E did not submit written testimony regarding the Gas Choice and Non-Choice Transportation issues. Nor was I&E an active participant in the settlement negotiations regarding these issues. Nevertheless, I&E has interests and concerns regarding these issues to the extent they may affect the entire base of the newly formed UGI Gas Division ratepayers. In consideration of the above, I&E does not oppose the settled upon terms as stated in the Joint Petition, Paragraphs 16 to 20.

F. Affiliate Interest Issues (Joint Petition ¶ 21):

The UGI Gas Companies, in the Settlement, agrees that all currently effective affiliate interest arrangements between the UGI Gas Companies and their 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.

I&E did not submit written testimony regarding the affiliated interest issues. Nevertheless, I&E has interests and concerns regarding these issues to the extent they may affect the entire base of the newly formed UGI Gas Division ratepayers. In

consideration of the above, I&E does not oppose the settled upon terms as stated in the Joint Petition, Paragraph 21.

G Settlement is in the Public Interest (Joint petition ¶¶ 22).

I&E supports the Settlement and believes it is in the public interest as stated in this Statement in Support. I&E believes the Settlement is fair, just, and reasonable and reflects a reasonable compromise of the disputed issues in this proceeding.

III. THE SETTLEMENT CONDITIONS (Joint Petition ¶¶ 23-26).

13. I&E represents that all issues raised in testimony have been satisfactorily resolved through discovery and settlement negotiations with the UGI Gas Companies or are incorporated or considered in the resolution proposed in the Settlement. The very nature of a settlement requires compromise on the part of all parties. This Settlement exemplifies the benefits to be derived from a negotiated approach to resolving what can appear at first blush to be irreconcilable regulatory differences. Joint Petitioners have carefully discussed and negotiated all issues raised in this proceeding, and specifically those addressed and resolved in this Settlement. Further line-by-line identification of the ultimate resolution of the disputed issues beyond those presented in the Settlement is not necessary as I&E represents that the Settlement maintains the proper balance of the interests of all parties. I&E is satisfied that no further action is necessary and considers its investigation of this Merger Application complete.

14. Based upon I&E's analysis of the filing, acceptance of this Settlement is in the public interest. Resolution of this case by settlement rather than litigation avoids the

substantial time and effort involved in continuing to formally pursue all issues in this proceeding at the risk of accumulating excessive expense and regulatory uncertainty.

15. I&E further submits that the acceptance of this Settlement negates the need for evidentiary hearings, which would compel the extensive devotion of time and expense for the preparation, presentation, and cross-examination of multiple witnesses, the preparation of Main and Reply Briefs, the preparation of Exceptions and Replies, and the potential of filed appeals, all yielding substantial savings for all parties and ultimately all customers. Moreover, the Settlement provides regulatory certainty with respect to the disposition of issues and final resolution of this case which all parties agree benefits their discrete interests.

16. The Settlement is conditioned upon the Commission's approval of all terms without modification. Should the Commission fail to grant such approval or otherwise modify the terms and conditions of the Settlement, it may be withdrawn by the Company, I&E, or any other Joint Petitioner.

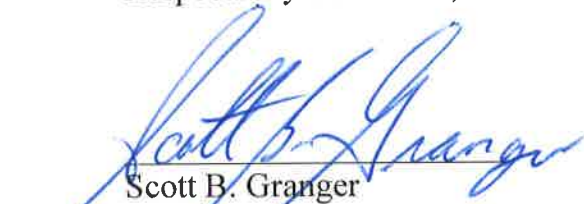
17. I&E's agreement to settle this case is made without any admission or prejudice to any position that I&E might adopt during subsequent litigation in the event that the Settlement is rejected by the Commission or otherwise properly withdrawn by any other parties to the Settlement.

18. If the ALJs recommend that the Commission adopt the Settlement as proposed, I&E agrees to waive the filing of Exceptions. However, I&E does not waive its right to file Exceptions with respect to any modifications to the terms and conditions of the Settlement or any additional matters that may be proposed by the ALJ in their

Recommended Decision. I&E also does not waive the right to file Replies in the event any party files Exceptions.

WHEREFORE, the Commission's Bureau of Investigation and Enforcement represents that it supports the Joint Petition for Settlement as being in the public interest and respectfully requests that Administrative Law Judges Joel H. Cheskis and Benjamin J. Myers recommend, and the Commission approves, the terms and conditions contained in the Joint Petition for Settlement.

Respectfully Submitted,



Scott B. Granger
Prosecutor
PA Attorney I.D. # 63641

Bureau of Investigation and Enforcement
Pennsylvania Public Utility Commission
Post Office Box 3265
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Dated: July 25, 2018

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, 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 No. A-2018-3000381
: Docket No. A-2018-3000382
: Docket No. A-2018-3000383

CERTIFICATE OF SERVICE

I hereby certify that I am serving the foregoing **Statement in Support of Settlement** dated July 25, 2018 in the manner and upon the persons listed below, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a party):

Served via First Class and Electronic Mail

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