|  |  |  |
| --- | --- | --- |
| PUC logo | PENNSYLVANIA PUBLIC UTILITY COMMISSIONCOMMONWEALTH KEYSTONE BUILDING400 NORTH STREET HARRISBURG, PA 17120 | **IN REPLY PLEASE REFER TO OUR FILE** |

November 14, 2019

Mr. Daniel Platt

Vice President – Finance and Chief Financial Officer

UGI Utilities, Inc.

1 UGI Drive

Denver, PA 17517

Re: Focused Management and Operations Audit of UGI Utilities Inc. (D-2018-3002234), UGI Central Penn Gas (CPG) Inc. (D-2018-3002235) and UGI Penn Natural Gas (PNG) Inc. (D-2018-3002236)

Dear Mr. Platt:

 The Commission appreciates the cooperation extended by the officers and employees of UGI Utilities Inc. (UGI or company) to our Bureau of Audits’ staff during the recent Focused Management and Operations Audit. We seek the company’s further cooperation in implementing the recommendations cited in the audit report.

 As you know, the staff analyzed and evaluated management performance in twelve functional areas or issues during the audit. Staff identified one areas as needing significant improvement, four areas as needing moderate improvement and seven areas as needing minor improvement. The significant (See Chapter IX – Emergency Preparedness) and moderate improvement areas (see Chapters V – Affiliated Interests and Cost Allocations, Chapter VII – Gas Operations, Chapter X – Materials Management and Chapter XII – customer Service) offer the greatest potential for increased effectiveness and/or reduced costs. Consequently, the Commission believes they should be the primary focus of the Company’s implementation efforts.

 At its Public Meeting of November 14, 2019 the Commission acknowledged receipt of the Company’s October 2019 Implementation Plan and released it, along with the audit report, to the public. The Commission notes that the Company’s Implementation Plan indicates acceptance of 42 recommendations, partial acceptance of one recommendation, and rejections of two recommendations. Receipt of this Implementation Plan does not constitute acceptance by the Commission of the actions already taken, those actions to be taken, or any explanations and cost/benefit analyses provided. The company’s implementation actions, together with the explanations and analyses, will be reviewed by the Commission at a later date. This review will be made to determine if the company has effectively implemented the thrust of the recommendations or effectively provided detailed explanations and cost/benefit analyses in support of those recommendations or parts thereof not implemented.

Mr. Daniel Platt

D-2018-3002234, D-2018-3002235, and D-2018-3002236

Page 2

 Accordingly, the Commission directs the company to:

* Proceed with the October 2019 Implementation Plan, and
* Submit implementation progress reports annually, by Nov. 15th, for the next three years.

The Commission’s direction to proceed with the Implementation Plan should not be construed as approval of the plan.

 Sincerely,

 Rosemary Chiavetta

 Secretary

RC/cp