



January 3, 2010

VIA EXPRESS MAIL

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120

RECEIVED

JAN 3 - 2010

**PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU**

Re: Application of UGI Penn Natural Gas, Inc. for Expedited Review and Approval of the Transfer By Sale of a 9.0 Mile Natural Gas Pipeline, Appurtenant Facilities and Right of Way located in Mehoopany, Pennsylvania, and a Related Affiliated Interest Agreement, Docket No. A-2010-2213893 and G-2010-2213894

Dear Secretary Chiavetta:

Please accept the comments of Citrus Energy Corporation ("Citrus Energy") on the application of UGI Penn Natural Gas, Inc. to transfer ownership of a 9.0 mile pipeline system known as the "Auburn Line" to UGI Energy Services, Inc. ("UGIES"). Citrus Energy fully supports the application as it will provide UGIES with an integral asset to enable Citrus Energy to deliver locally produced Marcellus Shale gas into a broader marketplace for the benefit of the natural gas marketplace.

Citrus Energy Corporation is a local natural gas producer that has purchased natural gas leases on real property owned by Procter and Gamble Paper Products in the area around Mehoopany, Pennsylvania. We have successfully drilled 7 wells, 4 of which are currently producing approximately 30,000/dths per day of natural gas that is transported through the "Auburn Line" for the benefit of Procter and Gamble. However, the current configuration of the Auburn Line does not allow Citrus to produce the full

productive capacity of wells we have drilled or the potential reserves on other property Citrus intends to develop for natural gas production. That productive potential can only be achieved through the Auburn Line if the investment in interconnection and compression proposed by UGIES to connect the Auburn Line into Tennessee Gas Pipeline Company is made.

The public benefits of the UGIES project are substantial. At a maximum daily flow rate of 120,000 dths per day, the Auburn Line will be able to deliver more than 40,000,000 dths annually into the marketplace. That amount of production far outstrips PNG's market on the Auburn Line, including Procter & Gamble, and thus additional supplies will be made available in the gas marketplace. To put this into perspective, Citrus Energy's production from the Procter and Gamble site likely will exceed the entire UGI PNG daily and annual system requirements. This additional supply benefits the entire marketplace through lower natural gas prices.

Marcellus Shale region production has been described as the "game changer" for the natural gas industry. Development of the sheer volume of reserves offered by the region so close to the Northeastern marketplace is having a profound affect on the availability of natural gas production and has resulted in a substantially lower natural gas price in the wholesale market. Continued development of these reserves will continue to suppress prices but this can only be done within a reasonable regulatory environment that encourages development of the infrastructure needed to deliver the gas to market.

In this case, the infrastructure needed to deliver gas to market is the project envisioned by UGIES. Investment in compression and interconnection facilities by UGIES will convert the Auburn Line from a distribution only line to a gathering line that has the capability of delivering into the Tennessee system. To enable Citrus to commit to producing sufficient volumes to supply Procter & Gamble and to market additional volumes of production, access to additional markets through the most cost efficient

means is necessary. Additional markets can be accessed most efficiently and quickly through the use of the existing Auburn Line to gather Citrus' production for delivery to the Procter & Gamble plant and into Tennessee. This sort of investment is not one that is typically made by a local natural gas distribution company such as UPNG. Rather this type of investment is made by non-regulated gathering businesses. In this regard, to expect a local distribution company such as PNG to enter this line of business and make a gathering line investment for the benefit of a natural gas producer would be somewhat unusual.

Finally, the availability of Citrus energy production will also provide PNG's customers located on the Auburn other than Procter and Gamble with another reasonably priced source of natural gas production. Citrus Energy looks forward to working with UGIES and PNG to making this project work for our mutual benefit as well as the benefit of the natural gas market as a whole.

For these reasons, Citrus Energy requests that the Pennsylvania Public Utility Commission grant PNG's application to transfer the Auburn Line to UGIES. .

Sincerely,

A handwritten signature in black ink, appearing to read "Steven D. Myers". The signature is fluid and cursive, with a long horizontal stroke at the end.

Name: Steven D. Myers

Title: Director of Land & Legal Affairs

Citrus Energy Corporation

cc: William Lloyd, Office of Small Business Advocate
Irwin A. Popowskyi, Office of Consumer Advocate
Johnnie Simms, Director, Office of Trial Staff
Kent Murphy, UGI Corporation

From: Origin ID: RDGA (610) 796-3417
DORIS E GERNERT
UGI UTILITIES, INC
2525 N. 12th Street
Suite 360
READING, PA 19605



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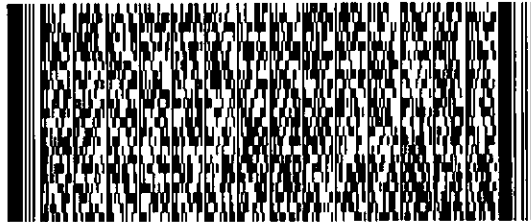


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Rosemary Chiavetta
Pennsylvania Public Utility Comm.
400 NORTH ST
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HARRISBURG, PA 17120

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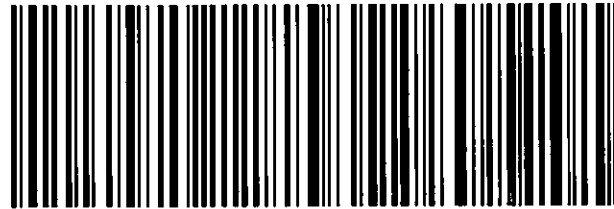
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