



UGI Utilities, Inc.
2525 North 12th Street
Suite 360
Post Office Box 12677
Reading, PA 19612-2677
(610) 796-3400 Telephone

January 6, 2011

VIA EXPRESS MAIL

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

RECEIVED

JAN 6 - 2011

**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 Nos. A-2010-2213893 and G-2010-2213894

Dear Secretary Chiavetta:

Enclosed for filing is the Prehearing Memorandum of UGI Penn Natural Gas, Inc., in the above-captioned proceedings.

Copies have been served as indicated on the enclosed Certificate of Service.

Very truly yours,

A handwritten signature in black ink that reads 'Kent D. Murphy'. The signature is fluid and cursive, with a long horizontal line extending from the end of the name.

Kent D. Murphy
Counsel for UGI Penn Natural Gas, Inc.

PA Attorney I.D. No. 44793

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Application of UGI Penn Natural Gas, Inc. :
for Expedited Approval of the Transfer By :
Sale of a 9.0 Mile Natural Gas Pipeline, : Docket Nos. A-2010-2213893
Appurtenant Facilities and Right of Way : G-2010-2213894
located in Mehoopany, Pennsylvania to an :
Affiliate and for Approval of Related :
Affiliated Interest Agreement :

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PREHEARING MEMORANDUM
OF
UGI PENN NATURAL GAS, INC.

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

HONORABLE ADMINISTRATIVE LAW JUDGE DENNIS J. BUCKLEY

I. INTRODUCTION

On December 1, 2010, UGI Penn Natural Gas, Inc., (PNG or Company) filed an Application with the Pennsylvania Public Utility Commission for expedited review and approval of the transfer by sale of an approximate 9.0 mile natural gas pipeline, appurtenant facilities and right of way located in the vicinity of Mehoopany, Pennsylvania to an affiliated company, UGI Energy Services, Inc. (UGIES). UGIES desires to obtain the Auburn Line for the purpose of using it in connection with gathering service it intends to provide on a private contractual basis to Citrus Energy Corporation, a local natural gas producer. That gathering service will allow Citrus to deliver natural gas into Tennessee Gas Pipeline Company, an interstate natural gas pipeline, for markets located off of Tennessee in Pennsylvania and elsewhere but requires a substantial investment to allow for the flow of gas into Tennessee. Without this substantial investment, the line cannot be used for anything but moving gas from Tennessee. As part of the Application,

PNG made a related request for the Commission to approve an interconnection agreement that would allow PNG to have first call on natural gas delivered on the line for the purpose of serving PNG customers located on the line and require UGIES to provide other necessary interconnection services on behalf of PNG.

Notice of the Application was published in the Pennsylvania Bulletin and newspapers of general circulation. Parties submitting protests to the Application include the Office of Small Business Advocate and the Commission's Office of Trial Staff. An intervention was filed by the Pennsylvania Office of Consumer Advocate. Two letters supporting the Application were submitted by Citrus Energy Corporation and Procter & Gamble Paper Products Company, a large industrial customer of PNG whose land Citrus has leased for the purpose of natural gas production development.

II. ISSUES AND SUBISSUES

The issues in this proceeding include the following: Whether the transaction is in the public interest.

PNG believes that the Application presents a prima facie case that clearly demonstrates that the proposed transaction is in the public interest by 1) enabling PNG to recover the remaining book value of the facilities to be transferred, retain the current economic value of the line (customer revenue), and continue to serve the customers located off the line, including its largest customer and bypass threat, Procter & Gamble; 2) rewarding PNG's ratepayers with the benefit of a continued, long-term revenue stream from all customers located off the line, including a long-term contract with its largest potential bypass customer, Procter & Gamble, which allows remaining customers to benefit from continued source of cross-subsidization of

general system operating and maintenance expense, administrative expense, and capital costs; 3) providing Procter & Gamble, one of the largest employer in northern Pennsylvania, with the means to maximize its use of local natural gas produced on its property with minimal investment, and to obtain the royalties therefrom; and 4) providing Citrus, a local producer, the means to deliver its natural gas into the broader interstate natural gas market, for its benefit and the benefit of natural gas consumers through lower prices. This transaction presents a win-win for PNG, PNG's customers, Procter & Gamble and the local economy, and the interstate natural gas market as a whole and is clearly in the public interest.

III. SERVICE ON PNG

For service of documents on PNG, the name and address of PNG's attorney is:

Kent D. Murphy
(Attorney License No. 44793)
Senior Counsel
UGI Corporation
460 North Gulph Road
King of Prussia, PA 19406
(610) 768-3631
murphyke@ugicorp.com

IV. WITNESSES

PNG intends to present the testimony of the following witnesses in this proceeding:

Robert F. Beard, Jr., P.E.
Vice President – Marketing, Rates and Gas Supply
UGI Utilities, Inc.
2525 N. 12th Street, Suite 360
Reading, PA 19612
610-796-3434
rbeard@ugi.com

Anthony Cox, Director – Marketing
UGI Utilities, Inc.

2525 N. 12th Street, Suite 360
Reading, Pa 19612
610-796-3485
acox@ugi.com

PNG reserves the right to call additional witnesses, as necessary. All parties of record will be timely notified if PNG determine that it is necessary to call additional witnesses.

V. Schedule

PNG has proposed the following schedule with the parties.

Tech conference/Settlement Discussion - week of January 10, 2011
PNG Direct Testimony – January 21, 2011
Intervenor Testimony – February 15, 2011
PNG Rebuttal testimony – February 24, 2011
Hearings - one day during week of February 28, 2011
Main Brief – March 14, 2011
Reply Brief – March 21, 2011

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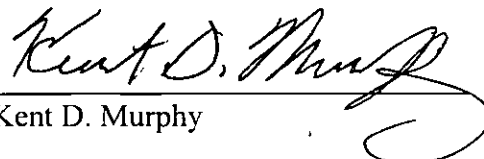
PA PUBLIC UTILITY COMMISSION
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In an effort to gain agreement, PNG has also discussed with the parties the possibility of filing a request with the Administrative Law Judge Buckley to certify the record to the Commission without the issuance of a Recommended Decision.

VI. PUBLIC INPUT HEARING

PNG is unaware of any significant public interest in this proceeding that evidences the need to hold a public input proceeding in this matter.

Respectfully submitted,


Kent D. Murphy

Counsel for UGI Penn Natural Gas, Inc.

Dated: January 6, 2011

CERTIFICATE OF SERVICE

Application of UGI Penn Natural Gas, Inc. :
for Expedited Approval of the Transfer By :
Sale of a 9.0 Mile Natural Gas Pipeline, : Docket Nos. A-2010-2213893
Appurtenant Facilities and Right of Way : G-2010-2213894
located in Mehoopany, Pennsylvania to an :
Affiliate and for Approval of Related :
Affiliated Interest Agreement :

I hereby certify that I have this day served a true copy of the foregoing document,
Prehearing Memorandum of the Office of Consumer Advocate, upon parties of record of this
proceeding in accordance with the requirements of 52 Pa. Code Section 1.54 (relating to service
by a participant), in the manner and upon the persons listed below:

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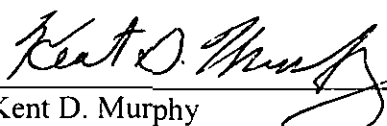
Dated this 6th day of January 2011.

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SERVICE BY E-MAIL and FIRST CLASS MAIL

Charles Daniel Shields, Esquire Office of Trial Staff Pennsylvania Public Utility Commission 400 North Street Harrisburg, PA 17120	Sharon E. Webb Assistant Small Business Advocate Office of Small Business Advocate Commerce Building, Suite 1102 300 North Second Street Harrisburg, PA 17101
James A. Mullins Assistant Consumer Advocate Office of Consumer Advocate 555 Walnut Street 5 th Floor, Forum Place Harrisburg, PA 17101-1923	Tanya J. McCloskey Senior Assistant Consumer Advocate Office of Consumer Advocate 555 Walnut Street 5 th Floor, Forum Place Harrisburg, PA 17101-1923



Kent D. Murphy
Counsel for UGI Penn Natural Gas, Inc.
PA Attorney I.D. No. 44793
E-Mail: murphyke@ugicorp.com

From: Origin ID: RDGA (610) 796-3415
Jennifer Stamer

2525 N. 12th Street
Suite 360
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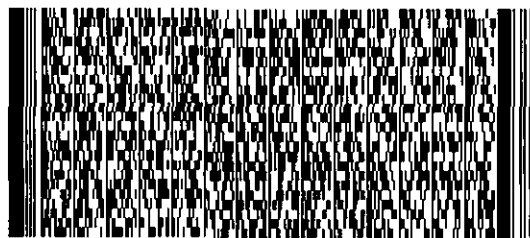


Ref # Kent Murphy
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Dept #

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Ms. Rosemary Chiavetta, Secretary
PA Public Utility Commission
400 NORTH ST
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HARRISBURG, PA 17120

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