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Christopher T. Wright

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File #: 2270/146852

March 23, 2011

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: Application of UGI Penn Natural Gas, Inc. for Approval of the Transfer by Sale of  
9.0 Mile Natural Gas Pipeline Appurtenant Facilities and Right of Way, Located in  
Mehoopany, PA  
Docket No. A-2010-2213893**

**Affiliated Interest Filing of UGI Penn Natural Gas, Inc.  
Docket No. G-2010-2213894**

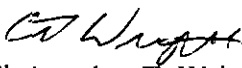
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Dear Secretary Chiavetta:

Enclosed please find the Joint Stipulation in Settlement Among Office of Trial Staff, Office of Consumer Advocate and UGI Penn Natural Gas, Inc. in the above-referenced proceeding.

As indicated on the certificate of service, copies have been provided to the parties in the manner indicated.

Respectfully Submitted,

  
Christopher T. Wright

CTW/skr  
Enclosure  
cc: Certificate of Service  
Honorable Dennis J. Buckley

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**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Application of UGI Penn Natural Gas, Inc. for Approval of the Transfer by Sale of 9.0 Mile Natural Gas Pipeline, Appurtenant Facilities and Right of Way, Located in Mehoopany, PA	:	:	Docket No. A-2010-2213893
Affiliated Interest Filing of UGI Penn Natural Gas, Inc.	:	:	Docket No. G-2010-2213894

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**JOINT STIPULATION IN SETTLEMENT  
AMONG OFFICE OF TRIAL STAFF,  
OFFICE OF CONSUMER ADVOCATE, AND  
UGI PENN NATURAL GAS, INC.**

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**To Administrative Law Judge Dennis J. Buckley:**

The Office of Trial Staff (“OTS”) of the Pennsylvania Public Utility Commission (“Commission”), the Office of Consumer Advocate (“OCA”), and UGI Penn Natural Gas, Inc. (“PNG”), all parties to the above-captioned proceeding and signatories hereto (hereinafter collectively referred to as the “Stipulating Parties”), file this Joint Stipulation resolving all issues among OTS, OCA, and PNG in the above-captioned proceeding (the “Stipulation”).<sup>1</sup> The Stipulating Parties have resolved all of their respective issues in this proceeding and hereby stipulate and agree to the terms and conditions set forth herein. In support of this Stipulation, the Stipulating Parties represent as follows:

**I. BACKGROUND**

1. On December 1, 2010, PNG filed the above-captioned Application requesting Commission approval to transfer by sale a 9.0 mile natural gas pipeline (the “Auburn Line”),

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<sup>1</sup> The Office of Small Business Advocate is not a party to this Stipulation.

together with its appurtenant facilities and right-of-way, located in Mehoopany, Pennsylvania to its affiliate UGI Energy Services, Inc. (“UGIES”), and requested a certificate of public convenience authorizing the transfer and affiliated interest agreement approval of the “Pipeline Interconnection, Operating and Emergency Services Agreement between UGI Energy Services, Inc. and UGI Penn Natural Gas, Inc.” (the “PNG-UGIES Interconnection Agreement”).

2. Notice of the Application was published in the Pennsylvania Bulletin and the Scranton Times in December 2010, which provided notice to interested parties of the opportunity to intervene or protest on or before January 3, 2011.

3. On December 20, 2010, OTS filed a Protest to the Application.

4. On December 21, 2010, OSBA filed a Notice of Appearance and Notice of Intervention.

5. On January 3, 2011, OCA filed a Notice of Intervention.

6. On January 6, 2011, OTS filed a Notice of Appearance.

7. An initial prehearing conference was held on January 7, 2011. The Parties who participated in the prehearing conference filed prehearing memoranda identifying potential issues and witnesses. A litigation schedule was established.

8. The Parties undertook formal and informal discovery.

9. On January 21, 2011, PNG served direct testimony in support of its Application.

10. On February 18, 2011, the OTS, OCA, and OSBA served direct testimony.

11. On March 2, 2011, PNG served rebuttal testimony.

12. On March 10, 2011, OTS, OCA, and OSBA served surrebuttal testimony.

13. On March 15, 2011, PNG served rejoinder testimony.

14. Settlement discussions were held which resulted in the resolution of all issues

raised by OTS, OCA, and PNG prior to the hearing date scheduled for March 16, 2011. The agreement of the Stipulating Parties' issues is embodied in this Joint Stipulation.

15. The Stipulation among the Stipulating Parties is set forth in Section II, *infra*.

## II. STIPULATION

16. In order to fully resolve their issues in this proceeding, the Stipulating Parties stipulate and agree to the following terms and conditions, which they will adopt and support as their respective litigation positions throughout the remainder of this proceeding:

- (a) PNG shall be permitted to transfer ownership of the Auburn Line and related facilities described in PNG's December 1, 2010 Application to UGIES at net depreciated original cost; currently valued at an amount of \$239,464.
- (b) PNG shall be permitted to enter into the PNG-UGIES Interconnection Agreement, set forth in Exhibit E of the Application and as revised by this Stipulation, in accordance with Chapter 21 of the Pennsylvania Public Utility Code;
- (c) The PNG-UGIES Interconnection Agreement will be revised to remove the \$60,000 annual fee originally proposed in the Application to be paid by PNG to UGIES. This revision does not affect or otherwise alter UGIES' obligation to provide interconnection service to PNG under the PNG-UGIES Interconnection Agreement;

- (d) PNG and UGIES agree that the Commission may continue to conduct safety inspections of the Auburn Line after the transfer of ownership to UGIES. To the extent that there is a separate assessment on PNG by the Commission to recover the costs of these inspections, UGIES will reimburse PNG for said inspection costs;
- (e) On the day after the Auburn Line is transferred from PNG to UGIES, UGI PNG will file with the Commission a tariff supplement to be effective on one day's notice that reduces PNG's rates to reflect the removal of the Auburn Line from rate base and the removal of all associated expenses, including depreciation and operating and maintenance expenses. The parties stipulate and agree that said aggregate amount to be removed from base rates is \$154,000;
- (f) The PNG-UGIES Interconnection Agreement will be revised to provide for the reversion of ownership of the subject pipeline to PNG in the event that UGIES for any reason ceases to operate the line in a manner that allows PNG to continue to provide distribution service to its customers. The transfer price upon any such reversion of ownership will be at the then depreciated original cost of the facilities originally transferred from PNG to UGIES, but in no event will the transfer price upon reversion exceed the original transfer price referenced in Paragraph 16(a). In the event of such reversion of ownership, PNG shall not seek to recover from ratepayers any costs incurred to alter, reconfigure, reverse, or otherwise change the subject pipeline in response to alterations made by UGIES;

- (g) This Stipulation is intended to fully resolve all claims of OTS, OCA, and PNG, real or potential, for economic value of any kind that may be in any way related to the transfer of the Auburn Line from PNG and UGIES. This Stipulation does not address, nor shall it be cited, regarding the question of whether UGIES is required to file an Application for a Certificate of Public Convenience with the Commission to own and operate the subject nine (9) miles of gas pipeline.

17. The following terms of this Stipulation reflect a carefully balanced compromise of the interests of Stipulating Parties in this proceeding. The Stipulating Parties believe that approval of the Stipulation is in the public interest. The Stipulation will be supported by the Stipulating Parties and shall be construed as their respective and collective litigation position(s) as of the date of its submission to the presiding Administrative Law Judge and throughout the remainder of this proceeding.

### **III. CONDITIONS OF STIPULATION**

18. The terms and conditions of this Stipulation reflect and constitute the joint litigation position of the Stipulating Parties in this proceeding. The Stipulation resolves all issues raised by the Stipulating Parties and precludes the Stipulating Parties from asserting positions in any way contrary to this Stipulation with respect to any issue addressed herein during this proceeding or any subsequent litigation involving PNG that results from this proceeding. All Stipulating Parties shall support the Stipulation and make reasonable and good faith efforts to obtain approval of the Stipulation by the Commission. In furtherance of this commitment, the Stipulating Parties will submit their respective Statements in Support of the

Stipulation either concurrent with the submission of the Stipulation to the ALJ or shortly thereafter. In addition, the Stipulating Parties agree that PNG may appropriately respond to any opposition to the granting of the Stipulation raised by the remaining non-signatory party or to any other issue not addressed in the Stipulation that is raised by said non-signatory party, with the caveat that such PNG response shall not be inconsistent with the terms of the Stipulation.

19. If the ALJ, in the Initial Decision, recommends that the Commission adopt the Stipulation as herein proposed without modification, the Stipulating Parties agree to waive the filing of Exceptions. However, the Stipulating Parties do not waive their rights to file Exceptions with respect to any modifications to the terms and conditions of this Settlement, or any additional matters proposed by the ALJ in the Initial Decision. The Stipulating Parties also reserve the right to file Replies to any Exceptions that may be filed.

20. The Stipulating Parties acknowledge that the Stipulation reflects a compromise of competing positions to resolve outstanding issues in a fair, just and reasonable manner, and does not necessarily reflect any party's position with respect to any issues raised in this proceeding.

21. The Stipulating Parties agree that this Stipulation resolves all of the issues and concerns raised by the Stipulating Parties hereto related to PNG's Application. The Stipulating Parties respectfully request that both the ALJ and the Commission approve the Stipulation in its entirety on an expedited basis.

22. The Stipulating Parties agree that the Stipulation shall not constitute or be cited as precedent, and shall be without prejudice to any of Stipulating Parties' positions, in any other proceeding, except to the extent required to implement the explicit terms of this Stipulation.

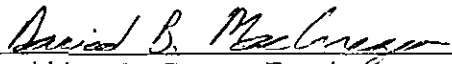
23. The Stipulating Parties may execute this Stipulation in separate counterparts, each of which, when so executed and delivered, shall constitute an original, but all of which together

shall constitute one and the same instrument.

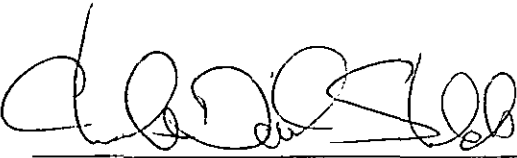


WHEREFORE, the Stipulating Parties, by their respective counsel, respectfully request that Administrative Law Judge Dennis J. Buckley recommend this Joint Stipulation in Settlement among the Office of Trial Staff, the Office of Consumer Advocate, and UGI Penn Natural Gas, Inc., including all the terms and conditions thereof, for approval without modification and that the Commission subsequently adopt said recommendation in its Final Order ending this proceeding.

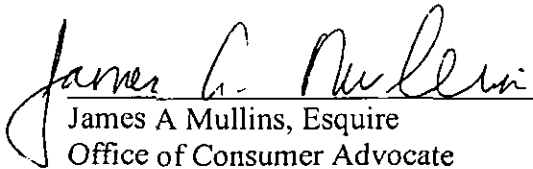
Respectfully submitted,

  
\_\_\_\_\_  
David B. MacGregor, Esquire  
Christopher T. Wright, Esquire  
Post & Schell, P.C.  
17 North Second Street, 12<sup>th</sup> Floor  
Harrisburg, PA 17101-1601

Date: 3/23/11  
\_\_\_\_\_  
Kent D. Murphy, Esquire  
UGI Penn Natural Gas, Inc.  
460 North Gulp Road  
King of Prussia, PA 19046

  
\_\_\_\_\_  
Charles Daniel Shields, Senior Prosecutor  
Office of Trial Staff  
PO Box 3265  
400 North Street, 2nd Floor West  
Harrisburg, PA 17105-3265  
*For Office of Trial Staff*

Date: 3/23/11  
\_\_\_\_\_

  
\_\_\_\_\_  
James A. Mullins, Esquire  
Office of Consumer Advocate  
555 Walnut Street  
Forum Place, 5th Floor  
Harrisburg, PA 17101-1923  
*For Office of Consumer Advocate*

Date: 3/23/11  
\_\_\_\_\_

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**CERTIFICATE OF SERVICE**

I hereby certify that a true and correct copy of the foregoing has 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**

Charles Daniel Shields  
Office of Trial Staff  
Commonwealth Keystone Building  
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PO Box 3265  
Harrisburg, PA 17105-3265

Sharon Webb  
Office of Small Business Advocate  
Commerce Building  
300 North Second Street, Suite 1102  
Harrisburg, PA 17101

James A. Mullins  
Tanya J. McCloskey  
Office of Consumer Advocate  
555 Walnut Street  
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Harrisburg, PA 17101-1923

Date: March 23, 2011

  
\_\_\_\_\_  
Christopher T. Wright

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