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January 23, 2013

**VIA E-FILING**

Rosemary Chiavetta, Secretary  
Pennsylvania Public Utility Commission  
P.O. Box 3265  
Harrisburg, PA 17105-3265

**Re: Joint Petition for Generic Investigation or Rulemaking Regarding "Gas-On-Gas" Competition Between Jurisdictional Natural Gas Distribution Companies, Docket No. P-2011-2277868**

**Generic Investigation Regarding Gas-On-Gas Competition Between Jurisdictional Natural Gas Distribution Companies, Docket No. I-2012-2320323**

Dear Secretary Chiavetta:

Enclosed for filing, please find the Second Prehearing Memorandum of the UGI Distribution Companies.

Copies of this document have been served upon the persons indicated in the attached Certificate of Service.

Very truly yours,

Mark C. Morrow  
Counsel for the UGI Distribution Companies

cc: Service list

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

<b>Joint Petition for Generic Investigation or</b>	:	
<b>Rulemaking Regarding “Gas-On-Gas” Competition</b>	:	<b>P-2011-2277868</b>
<b>Between Jurisdictional Natural Gas Distribution</b>	:	
<b>Companies</b>	:	
	:	
<b>Generic Investigation Regarding Gas-On-Gas</b>	:	
<b>Competition Between Jurisdictional Natural</b>	:	<b>I-2012-2320323</b>
<b>Gas Distribution Companies</b>	:	

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**SECOND PREHEARING MEMORANDUM OF  
THE UGI DISTRIBUTION COMPANIES**

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**BEFORE ADMINISTRATIVE LAW JUDGE ELIZABETH H. BARNES:**

**I. BACKGROUND**

On December 8, 2011, the Bureau of Investigations and Enforcement (“BIE”), the Office of Consumer Advocate (“OCA”), the Office of Small Business Advocate (“OSBA”), Peoples TWC LLC and Peoples Natural Gas Company LLC filed a *Petition for Generic Investigation or Rulemaking Regarding “Gas-On-Gas” Competition Between Jurisdictional Gas Distribution Companies* (the “Petition”), docketed at P-2011-2277868. The Petition stated the Commission has previously declined to undertake a generic investigation into competition between natural gas distribution companies (“NGDC”) with overlapping service territories in *Petition of Office of Trial Staff for the Commencement of an Investigation of Competitive Practices Between Natural Gas Distribution Companies*, Docket No. P-00052160 (Order entered October 6, 2005), concluding that such issues were better addressed in individual rate proceedings. The Petition

further stated that in subsequent base rate proceedings, parties had agreed in Commission-approved settlements to jointly petition the Commission to resolve the issue of discounts granted to meet competition from other NGDCs on a generic basis since prohibiting such discounts or making shareholders pay for such discounts in individual base rate proceedings would be inequitable unless implemented at the same time and on a uniform basis among all competing NGDCs.

In a July 25, 2012, Secretarial Letter, the Commission indicated it had assigned the Office of Administrative Law Judge the task of addressing, on a generic basis, “issues related to a NGDC’s flexing of distribution rates to meet the lower rates from other NGDCs and the treatment of flexed revenues for ratemaking purposes in future ratemaking proceedings[,]” and invited “[o]ther interested parties . . . . to file interventions in order to participate in these proceedings.” On August 9, 2012, the UGI Distribution Companies, comprised of UGI Utilities, Inc. – Gas Division, UGI Penn Natural Gas, Inc. and UGI Central Penn Gas, Inc., petitioned to intervene. In their petition to intervene, the UGI Distribution Companies noted each of their service territories partially overlap the service territories of other UGI Distribution Companies or other un-affiliated NGDCs, each has interruptible rates which can be flexed for customers with a documented installed capacity to consume an alternate fuel and certain firm rate schedules for larger volume customers that can be flexed to meet competitive alternatives, but that they were unaware of any instances to date where they have done so to meet competition from another NGDC, although this situation could occur in the future.

A Prehearing Conference was conducted on August 31, 2012. As a result of disagreement among the parties as to the scope of the proceedings, interested parties were directed in an Order issued by ALJ Barnes to “file formal comments within thirty (30) days from

the date of entry of this order, regarding the scope of issues to be addressed in the generic investigation proceeding as referenced in the Commission's Secretarial Letter dated July 25, 2012 at Docket No. P-2011-2277868." Following the submission of comments ALJ Barnes issued an Order dated December 11, 2012, clarifying the scope of the proceedings and scheduling a second prehearing conference for January 24, 2013.

## **II. SERVICE LIST**

The following persons should be identified on the service list for both the CPG, PNG and UGI:

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## **III. PROCEDURAL SCHEDULE**

The UGI Distribution Companies are willing to work with the presiding Administrative Law Judge and other participants to establish a procedural schedule.

## **IV. WITNESSES**

It is not yet clear if the UGI Distribution Companies will find it necessary to present testimony in this proceeding, but the UGI Distribution Companies reserve the right to do so.

## **V. DISCOVERY**

The UGI Distribution Companies have been served with one set of discovery from the OSBA to date, and is in the process of preparing its responses. Although it is not currently anticipated that any of the responses to this first set of discovery responses will be confidential, it

is possible that future discovery responses may request confidential information. It is the understanding of the UGI Distribution Companies that other parties plan of requesting the issuance of a protective order to protect such confidential information, and they will support the issuance of such an order.

## **VI. SETTLEMENT**

There have been no settlement discussions to date. The UGI Distribution Companies stand ready, however, to engage in such settlement discussions if the parties to this proceeding so desire.

Respectfully submitted,



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Dated: January 23, 2013

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

<b>Joint Petition for Generic Investigation or</b>	:	
<b>Rulemaking Regarding "Gas-On-Gas" Competition</b>	:	<b>P-2011-2277868</b>
<b>Between Jurisdictional Natural Gas Distribution</b>	:	
<b>Companies</b>	:	
	:	
	:	
<b>Generic Investigation Regarding Gas-On-Gas</b>	:	
<b>Competition Between Jurisdictional Natural</b>	:	<b>I-2012-2320323</b>
<b>Gas Distribution Companies</b>	:	

**CERTIFICATE OF SERVICE**

I hereby certify that, on this 23rd day of January, 2013, I have served a true and correct copy of the foregoing document in the manner and upon the persons listed below in accordance with requirements of 52 Pa. Code §1.54 (relating to service by a participant):

**VIA ELECTRONIC MAIL FOLLOWED BY FIRST CLASS MAIL:**

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