



September 18, 2013

VIA ELECTRONIC FILING

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

Re: Pennsylvania Public Utility Commission, Bureau of Investigation and
Enforcement v. UGI Penn Natural Gas, Inc., Docket No. M-2013-2338981
("Route 309 Investigation")

Dear Secretary Chiavetta:

Please consider this letter as the Comments of UGI Penn Natural Gas, Inc. ("UGI PNG" or "the Company") in response to the Pennsylvania Public Utility Commission's ("PUC's") order entered August 29, 2013 ("August 29 Order") in the above-captioned matter.

As explained in Appendix B to the Settlement Agreement filed on August 16, 2013, UGI PNG fully supports the Settlement Agreement and requests the Commission to approve the same without modification or change so that UGI PNG may expeditiously implement the operational and other measures agreed upon between the Company and the PUC's Bureau of Investigation and Enforcement ("PUC I&E").

While UGI PNG may not agree with the PUC I&E's full recitation of alleged violations arising from its Route 309 investigation, UGI PNG believes that the measures agreed upon in the Settlement Agreement, combined with the other measures the Company has already begun to implement, satisfy the Commission's interest in ensuring that UGI PNG is committed and capable of enhancing the level of gas safety on its gas system, to the benefit of the general public.

UGI PNG's Gas Safety Enhancements To Date

The Company has already overhauled its gas operations at the highest and intermediate levels of the organization. Those efforts are now being directed at the first and second tier field management. Approximately 20 positions have already been affected, from vice-presidents to directors to managers. Specific functional areas, including engineering and technical services, construction and maintenance, corrosion, and leak management, already have been enhanced with new management and technical support from within and outside of the UGI family of companies. Further, a field force staffing study has been completed and an on boarding plan is in the final stages of development, which will enable UGI PNG to hire and train new field forces in time to meet anticipated levels of employee retirements in the foreseeable future and complement existing forces. UGI PNG management has also come to agreement with its union counterparts to implement more flexible work measures that will enable the Company to more efficiently and effectively satisfy its operational goals around enhanced gas safety. All of these changes reflect UGI's commitment to ensure that the right people are in the right position to operate safely in the field well into the future.

UGI PNG has either completed or is in the latter stage of several maintenance and capital projects designed to enhance the safety of its system in and around the site of the original leak that gave rise to the Route 309 Investigation. As discussed in the UGI PNG Statement in Support, at pages 4 to 5, these projects include:

1. The replacement of approximately 4.5 miles of the Uniondale Line having a significant leak history;
2. Enhanced leak surveys;
3. The construction of the 2.9 mile Olyphant Loop, which will allow UGI PNG to reduce operating pressures on high pressure transmission lines serving in and around the Scranton/Wilkes-Barre area and allow for increased supply flexibility on this important portion of the UGI PNG gas system.
4. Installation of cathodic protection on the 2.2 mile segment of previously unprotected steel pipeline that gave rise to the initial Route 309 Investigation; and
5. Pressure testing and replacement, where necessary, of more than 30 "farm tap" services receiving gas from the high pressure line.

Since the filing of the Settlement Agreement, UGI PNG has also concluded, as part of its continuing integrity management plan risk analysis, that it is prudent to replace the remaining portion of the 2.2 mile segment of pipeline identified in No. 4 above. As a result, this segment of pipeline is scheduled for replacement by the end of the upcoming annual construction cycle with contemporary pipeline materials. Until then, the line will be subject to the weekly leak surveys UGI has already implemented (see No. 2 above).

One point of clarification should be made relative to the enhanced leak surveys mentioned in No. 2 above and on page 4 of UGI's statement in support, in this matter. The assertion on page 4 of the statement in support was inadvertently misstated. Enhanced, weekly leak surveys have been initiated and continue on that portion of the Uniondale trunk Line south of the Rushbrook district regulating station extending to the Oxford district regulating station. The portion of the Uniondale Line north of Rushbrook to the Uniondale city gate station on Tennessee Gas Pipeline does not have a significant leak history and runs largely through a rural, sparsely populated area, and is subject to a quarterly leak surveying cycle.

Additional Benefits of the Settlement Agreement

Implementation of the Settlement Agreement itself will provide several gas safety benefits. Settlement Agreement, pages 11-13. A few of the more important features are discussed below.

First, UGI PNG has agreed to modernize its current paper-based system of recording and tracking the leak survey results through an automated, computer-based system. This system will require the surveyor to enter information into a computer program that will be used by UGI PNG's leak survey coordinator to track leaks. The information will also enable UGI PNG to more effectively perform its leak locating, scheduling and repairing efforts by removing the potential for lost records that can occur in the current multi-step paper process. Settlement Agreement, subpara. 37.B.

Second, UGI has audited its leak surveying contractor's work relative to the classification of "B" leaks found and "C" leaks repaired during 2012. This audit included the re-inspection all active recorded "B" leaks at the end of 2012 and all

“C” leaks repaired from October 1 to December 31, 2012. The results of the audit will be turned over to PUC I&E to help the parties understand the degree to which the contractor’s survey results are consistent with UGI PNG’s standard system of leak classification as well as to measure the effectiveness of UGI PNG’s “C” leak repair efforts. Settlement Agreement, subpara.37.C.

Third, perhaps the most far-reaching benefits will be achieved through the gas operations audit that will be performed by an independent auditor. Settlement Agreement, subpara.37.D, Appendix C. This audit will cover a wide functional swath, including but not limited to field force staffing levels for both union and exempt employees, workforce management and work flow, employee safety, training, and operator qualification, leak management, corrosion management, PNG’s transmission integrity management program, emergency response, and the role of automation in those functions. Recommendations of the auditor will be considered by UGI PNG and, will serve as a basis for additional operational improvement in the areas covered by the audit.

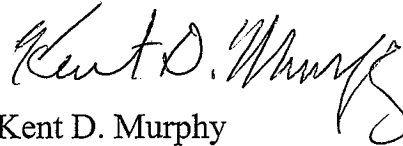
Fourth, UGI PNG has agreed to study its records supporting the maximum allowable operating pressure (MAOP) for its high pressure distribution lines (100 psi and above) to determine whether the current MAOP will need to be adjusted or additional work performed to support the current MAOP. This effort will complement UGI PNG’s similar efforts, as mandated for all transmission line operators by the United States Department of Transportation, and give the Commission an unprecedented look into a local distribution company’s process for ensuring regulatory compliance in an important area of gas safety and capacity planning. Settlement Agreement, subpara. 37.F.

Fifth, as part of its Settlement commitment, UGI has agreed to additional leak surveying on its unprotected steel distribution mains and cast iron pipe during the summer period. The two additional cycles will enable UGI to identify leaks through more regular intervals than under existing procedures. At the end of the agreed upon two-year cycle, UGI PNG will evaluate the benefits of this program in connection with its annual DIMP review.

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As detailed above, the safety enhancement measures already undertaken by UGI PNG, coupled with those agreed to in the Settlement Agreement clearly represent significant and measurable progress toward the enhancement of safety on the UGI PNG system. Accordingly, UGI PNG requests that the Commission enter a final order approving the Settlement Agreement, without change or modification, so that the benefits of the Settlement Agreement may be achieved promptly and expeditiously.

Very truly yours,



Kent D. Murphy
(PA Attorney No. 44793)
Counsel for UGI Penn Natural Gas, Inc.

Cc: Certificate of Service

Certificate of Service

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

Dated this 18th day of September 2013

Service by Regular Mail and E-mail

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