



Michael S. Swerling, Esq.

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June 20, 2024

VIA ELECTRONIC FILING (Non-Confidential) and Hand Delivery (Confidential)

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

**Re: Affiliated Interest Arrangement between UGI Utilities, Inc.,
Mountaineer Gas Company, UGI Energy Services, LLC, and
AmeriGas Propane, Inc.;**
Docket No. G-2023-3045143
PUBLIC VERSION

Dear Secretary Chiavetta:

On December 22, 2023, UGI Utilities, Inc. – Electric and Gas Divisions (“UGI” or the “Company”) filed an affiliated interest agreement (“AIA”) with the Pennsylvania Public Utility Commission (“Commission”). In doing so, the Company sought approval to continue engaging in the sharing of various routine/administrative shared services with its affiliates by way of an agreement that serves as a more detailed and current version of the 1992 Administrative Services Agreement AIA (Docket No. G-00920296, order entered May 21, 1992).

On January 23, 2024, the Commission’s Bureau of Technical Utility Services (“TUS”) issued data requests seeking answers to nine (9) questions. Please find attached the Company’s responses to TUS’s data requests.

A **NON-CONFIDENTIAL**, redacted version of this filing is being filed today via the Commission’s e-filing system.

An original **CONFIDENTIAL** un-redacted version of this filing has been sent to your attention via hand delivery. UGI respectfully requests, pursuant to 52 Pa. Code § 5.365, that this Confidential version be stamped “Confidential,” filed under seal, and not made available for public inspection, but made available only to the Commission and its staff for the purpose of evaluating this filing.

Should you have any questions concerning this filing, please feel free to contact me.

Respectfully submitted,

/s/ Michael S. Swerling

Michael S. Swerling (ID # 94748)

UGI Corporation

500 North Gulph Road

King of Prussia, PA 19406

Phone: (610) 992-3763(o)

Email: swerlingm@ugicorp

Counsel for UGI Utilities, Inc.

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Affiliated Interest Arrangement between :
UGI Utilities, Inc., UGI Energy :
Services and Amerigas Propane, Inc. : Docket No. G-2023-3045143

VERIFICATION

I, Michael S. Swerling, Sr. Counsel, Energy & Regulation for UGI Utilities, Inc., hereby state that the facts above set forth are true and correct to the best of my knowledge, information and belief, and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa.C.S. § 4904 (relating to unsworn falsification to authorities).

/s/ Michael S. Swerling

Michael S. Swerling
Sr. Counsel, Energy & Regulation
UGI Utilities Inc.
June 20, 2024

TUS-I-1

Request:

Reference the Cover Letter, Section II. Please provide a detailed explanation of the changes between the 1992 Agreement and the proposed Agreement.

Response:

1992 Administrative Services Agreement

The 1992 Administrative Services Agreement (“1992 Agreement”) was crafted when a shared services construct was first developed for UGI. Specifically, shareholders of UGI approved a corporate restructuring into a holding company with two principal first-tier subsidiaries (UGI Corp. and UGI Utilities), effective April 10, 1992. The 1992 Agreement was approved by the Pennsylvania Public Utilities Commission (“Commission”) on May 21, 1992 at Docket No. G-00920296.

Proposed 2023 Administrative Services Agreement

The proposed 2023 Administrative Services Agreement (“2023 Agreement”) was crafted as an update to the 1992 Agreement, in response to a recommendation by the Commission’s Bureau of Audits (“Audits”) in the 2019 Management Efficiency Investigation (“MEI”) at Docket No. D-2022-3032778 (MEI Report issued April 2023). Per that MEI Report, the Auditors recommended that UGI file a new affiliated interest agreement (“AIA”) to update the affiliated transactions and corporate structure relevant to the services being performed under the 1992 Agreement. The 2023 Agreement provides updates reflecting UGI Utilities’ current practices related to administrative services, incorporates new affiliate organizations which have been formed since 1992, and provides additional detail regarding administrative services performed on a shared basis between UGI affiliates.

Corporate Structure

Subsequent to the 1992 holding company restructuring, additional active first-tier subsidiaries, UGI Enterprises, Inc. (now UGI Enterprises LLC, “UGI Enterprises”), United Valley Insurance Corporation, Newbury Holding Company and UGI Properties, Inc., were added to the corporate structure. Also, subsequent to the formation of UGI Holding Company in 1992, UGI Utilities acquired two wholly-owned natural gas public utility subsidiaries operating primarily in Pennsylvania (UGI Penn Natural Gas, Inc. (“UGI PNG”) and UGI Central Penn Gas, Inc. (“UGI CPG”). UGI Utilities developed its own cost allocation policies for allocating costs to its operating units. By Opinion and Order entered on September 20, 2018, the Commission approved a merger, which

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TUS-I-1 (Continued)

consolidated UGI PNG, UGI CPG into UGI Utilities at Docket Nos. A-2018-3000381, A-2018-3000382 and A-2018-3000383. Accordingly, on October 1, 2018 (and as applicable to the 2023 Agreement) all three utility companies officially merged into one legal entity – UGI Utilities, Inc. In 2021, UGI Corp acquired Mountaintop Energy Holdings LLC, parent company of Mountaineer Gas Company, a natural gas distribution company in West Virginia. The 2023 Agreement includes an Organizational Chart (UGI Exhibit 1) which identifies the current corporate structure for the UGI companies, and it is signed by representatives of the various affiliates that partake in shared services.

Services & Cost Allocation

The 1992 Agreement listed 9 general types of services (along with the phrase “similar types of services”) that could be provided by UGI Corp or the UGI Affiliates to UGI Utilities. It also listed 4 general types of services (along with the phrase “similar types of services”) that UGI Utilities could provide to UGI Corp and its non-utility affiliates. No detail was provided for the listed services in the 1992 Agreement. By contrast, Appendix A to the 2023 Agreement lists 34 services by Department and includes explanations for the services provided by and between the UGI Companies.

The 1992 Agreement states that UGI Utilities will provide services on an “as-available” basis as to not interfere with the provision of public utility services. The 2023 Agreement does not contain this language. Instead, the 2023 Agreement (Section I. Scope of Work) states that UGI Utilities’ participation in the shared services is voluntary and UGI Utilities is not required to take or provide services or purchases under the 2023 Agreement. Accordingly, there are no contractual obligations that would interfere with the provision of public utility service in the 2023 Agreement.

Pursuant to the 1992 AIA, UGI Utilities was permitted to make purchases of materials and supplies for UGI Corp per an Agency relationship because UGI Corp did not have a procurement department between 1992 and 2022. However, in 2022, UGI Corp created its own Procurement Department. Therefore, the 2023 AIA does not require language wherein UGI Utilities would purchase materials and supplies as an agent for UGI Corp.

While the 1992 Agreement is silent on the types of employees who provide shared services, the 2023 Agreement explains that services will be provided by respective executives, accountants, financial advisers, technical advisors, attorneys, geologists, non-affiliated experts, consultants, employees, contingent workers – subject to federal and state codes of conduct.

TUS-I-1 (Continued)

Regarding cost allocation, the 1992 Agreement states that the contemplated services are provided at cost (Paragraph 2(a)). The 2023 Agreement continues the provisions of shared services at cost (i.e., fully allocated cost). The 2023 Agreement also details the specific cost allocation methods for the services for which an allocation methodology is used. This is in contrast to the 1992 Agreement which did not list specific allocation methodologies.

Liability

The 1992 Agreement states that the duties, obligations and liabilities of UGI Corp (and the UGI Affiliates) and UGI Utilities are several, not joint. The 2023 Agreement does not contain language regarding joint and several liability as that legal doctrine is normally associated with tort and physical injury cases. Each company maintains separate books and accounting. Liability will align with the duties/responsibilities of the parties performing and receiving services and according to the specified cost allocation methodologies. Additionally, Paragraph 2(c) of the 1992 Agreement allowed UGI Corp to assume any liability of UGI Utilities. The 2023 Agreement does not include a similar provision as the liability will remain with the respective parties to the transactions. Additionally, the 2023 Agreement contains a waiver for indirect damages, which was not included in the 1992 Agreement. This language appropriately limits the liability of the parties in the context of a breach.

Miscellaneous

The 2023 Agreement contains the following standard contract provisions that were not included in the 1992 Agreement:

- UGI Utilities can modify its participation in these services by notifying the parties that it wishes to provide or receive or not provide or receive administrative services.
- A more specific Notices section.
- General provisions of severability, governing law, headings, counterparts, assignment.
- Confidentiality section that addresses PAPUC Codes of conduct compliance.

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TUS-I-2

Request:

Reference the Cover Letter, Section IV. Please explain all revenue and ratemaking implications the Agreement may have.

Response:

The proposed Affiliated Interest Agreement is not intended to change any revenue and ratemaking implications as the purpose of the Affiliated Interest Agreement is to reflect the current corporate structure and add more transparency regarding the ongoing shared service transactions between UGI Utilities, Inc. – Electric and Gas Divisions and affiliated companies.

Prepared by or under the supervision of: Anton R. Hummer

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TUS-I-3

Request:

Reference the Cover Letter, Section IV. Please provide a detailed explanation as to why this Agreement is in the best interest of the UGI Utilities, Inc. ratepayers.

Response:

The 2023 Agreement is in the best interest of customers because UGI Utilities is generally paying for shared services at or below market rates and the agreement provides more transparency into the administrative services between UGI Utilities and its affiliates. More specifically, General and Administrative (G&A) shared service costs are generally broken down into labor costs and overhead costs. Labor costs include base salary and other compensation, payroll taxes and fringe benefits, and are charged based on time spent by personnel on an hourly basis. Overhead costs include, but are not limited to: building costs; lease costs; utilities; materials and supplies, other costs associated with office space and equipment; and taxes other than payroll taxes. G&A shared service costs exclude direct expenses that are incurred for the direct benefit and convenience of an individual operating company. As shown in the response to TUS-I-5, UGI Utilities generally is paying at/below market rates for received shared services based on a compa ratio analysis.

Moreover, as stated in UGI Utilities' December 22, 2023 filing at Docket No. G-2023-3045143, the proposed 2023 Agreement is in the public interest, pursuant to 66 Pa. C.S. § 2102. The Commission's Bureau of Audits ("Audits") made a finding in its Management Efficiency Investigation A Follow-Up Review of the 2019 Focused Management and Operations Audit report, at Docket No. D-2022-3032778 (Report issued April 2023) ("MEI Report"), that "[t]he administrative services affiliated interest agreement between UGI corporation and UGI Utilities, Inc., executed and approved in May 1992 is no longer accurate and does not reflect UGI's structure nor business practices." (MEI Report at 15). Accordingly, the MEI Report recommended that UGI Utilities "[p]repare an AIA that adequately describes the affiliated transactions between UGI Corp and its subsidiaries, including UGI Utilities, and then, submit it to the Commission for approval." (MEI Report at 15). In its Implementation Plan to the MEI Report, UGI Utilities agreed to "prepare and file with the Commission a new affiliated interest agreement which describes routine services provided between UGI Utilities, Inc. and its affiliates" by December 31, 2023 (Implementation Plan at 2). The 2023 Agreement was developed to satisfy the Company's obligation as set forth in the Implementation Plan. Specifically, the 2023 Agreement fulfills UGI's obligation to file a new AIA that describes routine shared services, and provides additional transparency into the services.

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Docket No. G-2023-3045143
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TUS-I-4

Request:

Reference the Agreement, Page 1. Please provide a copy of the Agreement which includes all of the UGI subsidiaries which are party to the Agreement.

Response:

Please see Attachment TUS-I-4, which contains a copy of the 1992 Administrative Services Agreement.

Prepared by or under the supervision of: Anton R. Hummer

PENNSYLVANIA
PUBLIC UTILITY COMMISSION
Harrisburg, PA. 17105-3265

Public Meeting held May 21, 1992

Commissioners Present:

David W. Rolka, Chairman
Joseph Rhodes, Jr., Vice Chairman
Wendell F. Holland, Commissioner

Affiliated Interest Agreement
Between UGI Corporation and
UGI Utilities, Inc.

Docket No.
G-00920296

OPINION AND ORDER

BY THE COMMISSION:

On April 30, 1992, an Affiliated Interest Agreement ("Agreement") was filed between UGI Corporation ("Holding Company") and UGI Utilities, Inc. ("Utilities"), to become effective May 30, 1992.


This Agreement sets forth the terms by which Utilities may provide administrative services to or receive services from Holding Company and its unregulated subsidiaries. These services will be provided on a cost basis.

This Agreement is filed in accordance with the requirements of Section 2102 (b) of the Public Utility Code, 66 Pa. C.S. § 2102 (b).

Investigation and analysis of this Affiliated Interest Agreement indicates that the terms and conditions appear to be reasonable and consistent with the public interest. However, approval of this Agreement does not constitute a determination that the associated costs are reasonable or prudent for purposes of determining just and reasonable rates; **THEREFORE,**

IT IS ORDERED: That the Affiliated Interest Agreement between UGI Corporation and UGI Utilities, Inc. be, and hereby is, approved.

BY THE COMMISSION,


John G. Alford
Secretary

(SEAL)

ORDER ADOPTED: May 21, 1992

ORDER ENTERED: May 21, 1992

REC'D MAY 22 1992

A. R. Hummer
TMT 600-0045
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COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
P.O. BOX 3265, HARRISBURG, PA 17105-3265

May 21, 1992

IN REPLY PLEASE
REFER TO OUR FILE

G-00920296

RICHARD L BUNN
UGI CORPORATION
PO BOX 13009
READING PA 19612-3009

Affiliated Interest Agreement Between
UGI Corporation and UGI Utilities, Inc.

To Whom It May Concern:

This is to advise you that an Opinion and Order has been adopted by the Commission in Public Meeting on May 21, 1992 in the above entitled proceeding.

An Opinion and Order has been enclosed for your records.

Very truly yours,

John G. Alford, Secretary

smk
Encls.
Cert.Mail



April 30, 1992

FEDERAL EXPRESS

The Honorable John G. Alford, Secretary
Commonwealth of Pennsylvania
Public Utility Commission
North Office Bldg., Room B-18
P.O. Box 3265
Commonwealth and North Streets
Harrisburg, PA 17120

Re: Administrative Services Agreement between
UGI Utilities, Inc. and UGI Corporation,
an Affiliated Interest

Dear Secretary Alford:

Enclosed for filing with the Pennsylvania Public Utility Commission ("Commission") pursuant to Section 2102 of the Public Utility Code, 66 Pa.C.S. §2102, are an original and two (2) conformed copies of an Administrative Services Agreement dated May 1, 1992 "(Agreement)" between UGI Corporation and UGI Utilities, Inc.

As part of a corporate reorganization pursuant to a Plan of Merger approved by shareholders on April 9, 1992, the former UGI Corporation became a wholly owned subsidiary of New UGI Corporation, a holding company. The reorganization became effective on April 10, 1992. New UGI Corporation changed its name to UGI Corporation and the former UGI Corporation changed its name to UGI Utilities, Inc. In order to avoid potential confusion arising out of the name changes, "new" UGI Corporation is hereafter referred to as "Holding Company" and UGI Utilities is referred to as "Utilities."

Utilities is a public utility subject to the Commission's jurisdiction and is a wholly owned subsidiary of Holding Company. Holding Company is a Pennsylvania corporation and owns all of the outstanding common stock of Utilities. The Agreement sets forth the terms by which Utilities may provide administrative services to or receive services from Holding Company and its unregulated subsidiaries. The administrative services are essentially the same as those historically provided by Utilities to its unregulated subsidiaries prior to the formation of the current holding company structure.

The Honorable John G. Alford, Secretary
April 30, 1992
page 2

The Agreement contemplates that certain of the services formerly provided by Utilities Corporate Headquarters Group may be provided by Holding Company. The method of allocating the costs to be charged for these services is essentially the same as the method traditionally employed by Utilities. This allocation method was reviewed and approved as part of the Commission's Management and Operations Study of Utilities conducted in 1989.

To assist in the Commission's review, the following is a summary of the more significant terms of the Agreement:

- o The administrative services to be provided by Holding Company after full implementation of the Agreement may include management, finance, pension fund management, internal audit, legal, shareholder relations, human resources, insurance, claims, legal, and similar types of services;
- o The administrative services to be provided by Utilities after full implementation of the Agreement may include information services, payroll, accounts payable, accounting and similar types of services;
- o Utilities and Holding Company will pay to each other the actual cost of the services each receives;
- o Utilities and Holding Company will bill each other for the services each provides on a monthly basis and maintain separate accountability;
- o All services provided by Utilities will be on an "as available" basis to assure that Utilities' provision of such services will not interfere with its obligation to provide gas and electric service to the public.
- o The duties, obligations and liabilities of Utilities and Holding Company are several and not joint or collective, assuring that Utilities will not be responsible for any obligation or liability of Holding Company.

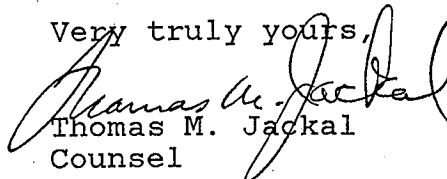
The Honorable John G. Alford, Secretary

April 30, 1992

page 3

I have enclosed a duplicate copy of this letter and ask that it be stamped as received by your office and returned to me in the enclosed self-addressed stamped envelope. If any additional information is required, please call.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Thomas M. Jackal".

Thomas M. Jackal
Counsel

TMJ/klb

Enclosures

The Honorable John G. Alford, Secretary

April 30, 1992

page 4

bcc: J. C. Barney
A. S. Becker
A. C. Bullman
R. L. Bunn
M. J. Cuzzolina
R. R. Eynon
W. M. Graff
L. R. Greenberg
D. N. Knipel
C. L. Ladner
J. A. Lubas
S. R. Mauriello
J. A. Sutton
G. W. Westerman

ADMINISTRATIVE SERVICES AGREEMENT

THIS AGREEMENT made as of this 1st day of May, 1992, between UGI Corporation ("Holding Company"), a Pennsylvania corporation, and UGI Utilities, Inc. ("Utilities"), a Pennsylvania corporation.

WITNESSETH:

WHEREAS, Utilities is a public utility providing natural gas and electric service subject to regulation by the Pennsylvania Public Utility Commission ("Commission") and is a wholly owned subsidiary of Holding Company; and

WHEREAS, Holding Company, under its articles, has unlimited power to engage in any lawful act concerning any lawful business for which corporations may be incorporated under the Pennsylvania Business Corporation Law and was formed for the purpose of separating Utilities' regulated and former unregulated operations; and

WHEREAS, as a part of the transactions related to formation of the holding company organization, Utilities may transfer to Holding Company certain employees of Utilities' former corporate headquarters group for the purpose of providing administrative services to Utilities and unregulated subsidiaries; and

WHEREAS, the parties wish to provide and receive the administrative services under the terms and conditions set forth herein; and

WHEREAS, under the affiliated interest provisions of the Pennsylvania Public Utility Code ("Code") Holding Company is an affiliated interest of Utilities and any agreement between Holding Company and Utilities for the provision of administrative services must be filed with and approved by the Commission;

NOW THEREFORE, in consideration of the premises and of the mutual covenants of this Agreement and for other valuable consideration, received and acknowledged, and intending to be legally bound hereby, Holding Company and Utilities agree as follows:

1. Services.

(a) Holding Company agrees to provide such administrative services as may from time to time be requested by Utilities. These services may include but are not limited to executive management, finance, pension fund management, internal audit, legal, shareholder relations, human resources, insurance, claims, and similar types of services.

(b) Utilities agrees to provide such administrative services as may from time to time be requested by Holding Company or any of its subsidiaries on an "as available" basis. These services may include but not limited to information services, payroll, accounts payable, accounting and similar types of services.

2. Payment etc..

(a) Each party shall pay to the party providing the administrative services pursuant to Section 1, the actual cost

of providing such services. In this regard, the party providing the services shall provide monthly to the party receiving the services an invoice and written documentation of the cost of providing the services pursuant to Section 1; the invoice shall be due and payable within 30 days after its receipt. When it is not reasonably possible or practical to determine actual costs, the parties may substitute allocation factors for actual costs.

(b) All such costs incurred by one party on behalf of the other (i) shall become the liability of the party receiving the services when incurred by the party providing the service, (ii) shall be determined in accordance with generally accepted accounting principles and (iii) shall include reasonable and appropriate indirect costs including overhead, as set forth on Attachment 1 to this Agreement.

(c) Holding Company may assume any liability of Utilities.

(d) Where Holding Company assumes any benefit, compensation, retirement or other similar plan of Utilities, Utilities may from time to time make payments to Holding Company in amounts not to exceed the payments Utilities would have been required to make at those times to beneficiaries under such plans had the plans not been assumed.

3. Agency.

(a) All services, materials, equipment and supplies purchased by Utilities at the request of Holding Company shall be purchased by Utilities on behalf of and as agent for

Holding Company. In that regard, Holding Company hereby appoints Utilities as its agent, and Utilities agrees as its agent to negotiate, execute and enforce contracts (including purchase order contracts) providing for the purchase of services, materials, equipment and supplies. Each such contract shall be made in the name of Holding Company and shall, among other things, provide that Utilities shall be agent for Holding Company concerning the administration of the contract and that performance of the contract shall be for the account of, title to all property acquired thereunder shall vest in, and charges therefor shall be paid by Holding Company.

(b) All services, materials, equipment and supplies purchased by Holding Company at the request of Utilities shall be purchased by Holding Company on behalf of and as agent for Utilities. To the extent permitted by law and without delegating any of its public service obligations, Utilities hereby appoints Holding Company as its agent, and Holding Company agrees as Utilities' agent to negotiate, execute and enforce contracts (including purchase order contracts) providing for the purchase of services, materials, equipment and supplies. Each such contract shall be made in the name of Utilities and shall, among other things, provide that Holding Company shall be agent for Utilities concerning the administration of the contract and that performance of the contract shall be for the account of, title to all property acquired thereunder shall vest in, and charges therefor shall be paid by Utilities.

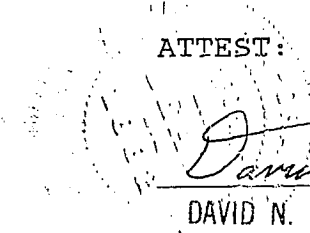
4. Subsidiary Participation. Holding Company as used herein includes all subsidiary companies of UGI Corporation other than UGI Utilities, Inc.

5. Obligations Several. The duties, obligations and liabilities of Holding Company and Utilities under this Agreement are intended to be several and not joint or collective, and nothing in this Agreement shall ever be construed to create an association, joint venture, trust or partnership, or to impose a trust or partnership duty, obligation or liability on or with regard to any of the parties. Each party shall be individually responsible for its own obligations as herein provided. No party shall be under the control of or shall be deemed to control the other party solely by virtue of this Agreement. No party shall have a right or power to bind another party without its express written consent, except as expressly provided in this Agreement.

6. Termination. Any party shall have the right at any time to terminate this Agreement upon ninety (90) days written notice of its election to do so.

7. Regulatory Approval. This Agreement is subject to the approval of the Commission, and shall be immediately effective upon receipt of such approval.

ATTEST:

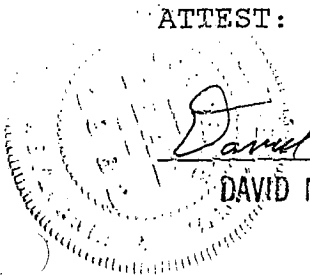


David N. Knipel
DAVID N. KNIPEL, SECRETARY

UGI CORPORATION

By: George W. Westerman
George W. Westerman
Senior Vice President -
Administration

ATTEST:



David N. Knipel
DAVID N. KNIPEL, SECRETARY

UGI UTILITIES, INC.

By: Charles L. Ladner
Charles L. Ladner
Vice President

Attachment 1

Each party receiving the benefit of the administrative services shall pay the actual cost of the services provided. The cost of these administrative services will be allocated using a two-step process:

- o Direct Charge - If charges can reasonably be determined to benefit only one particular party they will be charged directly to that organization.
- o Allocation - If charges benefit more than one party, but a reasonable separation of the charges cannot be readily made, they will be allocated to applicable organizations based upon predetermined formulas.

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TUS-I-6

Request:

Reference the Agreement, Exhibit A. Please provide a list of rates UGI Utilities, Inc. would have to pay for the services listed in the Agreement if a non-affiliated company provided these services.

Response:

UGI Utilities does not have a list of rates that it would pay for the shared services. The services are provided at fully allocated cost and do not include different rates based on the type of service provided. Fully allocated costs generally depend on the applicable labor, including overhead, of the employee performing the shared service and the time spent performing it. However, to a lesser extent, they also may involve costs for competitively bid items (e.g., consultant services).

Prepared by or under the supervision of: Anton R. Hummer

UGI Utilities, Inc.
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TUS-I-7

Request:

Reference the Agreement, Exhibit A. Please provide the estimated total annual amount UGI Utilities, Inc. will pay its Affiliates for the services provided per the Agreement. Additionally, please state the dollar amount already paid by UGI Utilities, Inc. to its Affiliates.

Response:

(Amounts in Thousands)

2023 Actuals: \$25,050

2024 Budget: \$28,168

Prepared by or under the supervision of: Anton R. Hummer

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TUS-I-8

Request:

Reference the Agreement, Exhibit B. Please explain whether the Affiliated Interest Agreement is based on a competitive analysis. If not, please explain why. If so, please describe the alternatives to UGI Affiliates that were considered. Additionally, please describe the criteria that were used in conducting the comparison and explain why UGI Affiliates specifically were selected.

Response:

As previously explained, UGI Utilities and the UGI Affiliates have utilized this model since 1992. UGI Utilities is proposing to continue using the same model in which shared administrative services would continue to be provided at fully allocated cost. Doing so avoids duplication of functions, employees and costs that would occur, if each individual company were required to perform these administrative functions independently. Additionally, as shown in the response to TUS-I-5 and Confidential Attachment TUS-I-5, UGI Utilities is paying shared service costs at/below market rates without a margin that would be involved if these services were outsourced.

Prepared by or under the supervision of: Anton R. Hummer

UGI Utilities, Inc.
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TUS-I-9

Request:

Reference the Agreement, Exhibit B. Please provide a calculation of the profit margin the Affiliates will charge for services, provided to UGI Utilities, Inc. If no profit margin will be charged, provide a complete explanation as to why.

Response:

Per Exhibit 2, Section III, of the Agreement, the UGI Affiliates will continue to provide G&A shared services to UGI Utilities, Inc. at fully allocated cost. The UGI Affiliates do not add margin to the charges assessed under the Agreement. This ensures that no cross subsidization occurs between UGI Utilities and the UGI Affiliates.

Prepared by or under the supervision of: Anton R. Hummer