

**PENNSYLVANIA
PUBLIC UTILITY COMMISSION
Harrisburg, PA 17120**

Public Meeting held July 16, 2026

Commissioners Present:

Stephen M. DeFrank, Chairman
Kimberly Barrow, Vice Chairman, Statement
Kathryn L. Zerfuss
John F. Coleman, Jr.
Ralph V. Yanora

Investigation of UGI Utilities, Inc. – Gas Division
relating to plastic pipe fusion, inspection, and
installation issues in construction projects in
Allentown, Bethlehem, Nazareth, and Emmaus,
Pennsylvania

M-2026-3051981

OPINION AND ORDER

BY THE COMMISSION:

Before the Pennsylvania Public Utility Commission (Commission) for consideration and disposition is the proposed Joint Petition for Approval of Settlement (Settlement Agreement or Joint Petition), filed on March 20, 2026, by the Commission's Bureau of Investigation and Enforcement (I&E) and UGI Utilities, Inc. (UGI or the Company) (collectively the Parties), with respect to an informal investigation conducted by I&E. The Settlement Agreement contains terms and conditions representing a comprehensive settlement, along with Proposed Ordering Paragraphs and Statements in

Support of the Settlement Agreement (Statements in Support).¹ Both Parties submit that the proposed Settlement Agreement is in the public interest and is consistent with our Policy Statement at 52 Pa. Code § 69.1201, *Factors and standards for evaluating litigated and settled proceedings involving violations of the Public Utility Code and Commission regulations—statement of policy* (Policy Statement). Settlement Agreement at ¶ 84.

Before issuing a final decision on the merits of the proposed Settlement, and consistent with the requirement of 52 Pa. Code § 3.113(b)(3), we shall publish the Settlement in the *Pennsylvania Bulletin* and provide an opportunity for interested parties to file comments regarding the proposed Settlement.²

I. History of the Proceeding

This matter concerns the results of an informal investigation initiated by I&E's Pipeline Safety Division (Pipeline Safety) of the plastic pipe fusion, inspection, and installation practices of UGI's contractor, SKODA Contracting (SKODA), at twelve projects that had been put into service in and around Allentown, Bethlehem, Nazareth, and Emmaus, Pennsylvania.

On or about December 29, 2022, Pipeline Safety engineers witnessed SKODA employees failing to follow UGI construction procedures during the installation of plastic main at a UGI construction site in Nazareth, PA (Liberty Street Project). Settlement Agreement, Appendix B at 2.

¹ We note that in the Settlement Agreement filed with the Commission, a copy of which is attached to this Opinion and Order, the Parties redacted certain Confidential Security Information.

² As discussed, *infra*, due to the nature of the alleged violations in this matter, it is appropriate to publish the Settlement in the *Pennsylvania Bulletin*.

On January 3, 2023, UGI and SKODA met with Pipeline Safety engineers at the Liberty Street Project to perform five integrity inspections at various locations along the project to verify that UGI construction procedures had been followed. Of the thirteen butt fusion joints that were exposed, five failed visual inspection. Those five butt fusion joints were cut out and sent for destructive testing. The issues found were linked to a particular Foreman and Laborer employed by SKODA. UGI has since specified that the identified Foreman and Laborer are no longer permitted to perform work on UGI's system. *Id.* at 3.

On January 25, 2023, UGI reported to Pipeline Safety that of the five butt fusion joints that failed visual inspection, one of those joints failed destructive testing. Based upon this failure, UGI reported it would be replacing all the fusion joints on the Liberty Street Project. I&E provided that the Liberty Street Project had not been placed into service prior to the discovery of the visually unacceptable fusions. On April 19, 2023, UGI finished replacing the entirety of the pipeline on the Liberty Street Project. *Id.* at 3.

From March 2023 through July 2025, UGI expanded its integrity inspections by conducting investigative digs at twelve (12) other projects, on which the same SKODA Foreman and Laborer, as the Liberty Street Project were involved in during 2022. UGI discovered twenty-seven (27) butt fusion joints and twenty-five (25) electrofusion joints that failed visual inspection and failures to follow UGI's construction procedures. *Id.*

I&E provided that UGI cut out and remediated all plastic fusion joints that were found to be visually unacceptable. *Id.* at 4. The basis of I&E's allegations is that UGI, through its contractor, failed to follow its procedures by having inspected, installed, and placed into service fifty-two (52) fusions that were not visually acceptable according to UGI procedures. *Id.* at 4.

The Parties entered into negotiations and agreed to resolve these matters in accordance with the Commission’s policy to promote settlements at 52 Pa. Code § 5.231. Settlement Agreement at ¶ 77. The Parties filed the instant Settlement Agreement on March 20, 2026.

II. Background

A. I&E Informal Investigation

As indicated above, the basis for the instant Settlement Agreement stemmed from Pipeline Safety’s inspection conducted on or about December 29, 2022 when Pipeline Safety witnessed employees of SKODA failing to follow UGI Gas construction procedures during the installation of plastic main. Settlement Agreement at ¶ 12. I&E provided that UGI, through its contractor, failed to follow its procedures by placing into service fifty-two (52) fusions that were not visually acceptable according to UGI procedures.³ Settlement Agreement, Appendix B at 4.

B. Alleged Violations

I&E was prepared to contend, through litigation, that UGI’s conduct at issue in the Incident violated the Code of Federal Regulations and the Commission’s Regulations. Settlement Agreement at ¶ 73. Specifically, I&E alleged that UGI violated certain provisions of the Public Utility Code, Commission Regulations, and/or the Code of Federal Regulations (CFR) in that:⁴

- a. UGI Gas operated a segment of pipeline that was not designed, installed, constructed, initially inspected, and/or initially tested in

³ Throughout this Opinion and Order, we shall refer to this as the “Incident.”
⁴ We note that in the paragraphs below, “GOM” refers to “gas operating manual.”

accordance with Part 192 of Title 49 of the Code of Federal Regulations or UGI's procedures. If proven, this is a violation of 49 CFR § 192.13(a) (General Requirements).

- b. UGI Gas installed no less than 27 butt fusion joints that were not made in accordance with its procedures and failed to follow GOM 25.10.10, in that UGI Gas allowed the installation of butt fusion joints that were questionable and visually unacceptable due to misalignment, inconsistent beads, and improper groove depth. If proven, this is a violation of 49 CFR § 192.13(c) (General Requirements), 49 CFR § 192.303 (Compliance with specifications and standards), and 49 CFR § 192.273(b) (Joining of Materials Other Than by Welding - General).
- c. UGI Gas installed no less than 25 electrofusion coupling joints that were not made in accordance with its procedures and failed to follow GOM 25.10.30, in that UGI Gas allowed the installation of electrofusion coupling joints that were questionable and visually unacceptable due to misalignment, improper insertion depth, lack of insertion depth marks, and visible wires. If proven, this is a violation of 49 CFR § 192.13(c) (General Requirements), 49 CFR § 192.303 (Compliance with specifications and standards), and 49 CFR § 192.273(b) (Joining of Materials Other Than by Welding - General).
- d. UGI Gas failed to inspect no less than 27 visually unacceptable butt fusions to ensure compliance with Subpart F of Part 192 in Title 49 and failed to inspect the visually unacceptable butt fusions as required by procedures GOM 25.10.10 and GOM 30.10.20. If proven, this is a violation of 49 CFR § 192.13(c) (General Requirements), 49 CFR § 192.303 (Compliance with specifications and standards), and 49 CFR §§ 192.273(c) (Joining of Materials Other than by Welding - General).
- e. UGI Gas failed to inspect no less than 25 visually unacceptable electrofusion couplings to ensure compliance with Subpart F of Part 192 in Title 49 and failed to inspect the visually unacceptable electrofusion couplings as required by procedures GOM 25.10.30 and GOM 30.10.20. If proven, this is a violation of 49 CFR § 192.13(c) (General Requirements), 49 CFR § 192.303 (Compliance with specifications and standards), and 49 CFR §§ 192.273(c) (Joining of Materials Other than by Welding - General).

- f. UGI Gas failed to furnish and maintain adequate, efficient, safe and reasonable service and facilities and make such repairs, changes, alterations, substitutions, extensions and improvements in or to its service and facilities necessary or proper for the accommodation and safety of its customers, employees and the public, thereby placing the safety of its customers, employees and the public in danger. If proven, this is a violation of 66 Pa.C.S. § 1501 (Character of Service and Facilities).

Settlement Agreement at ¶¶ 73(a)-(f).

If this matter had been litigated, UGI notes that it would have denied the alleged violations, raised defenses and mitigating factors in support of its defense, and defended against the same at a hearing. Among other things, UGI avers that it could demonstrate the following:

- a. UGI Gas's pipeline facilities were designed in accordance with 49 CFR §§ 192.1, et. Seq., and its contractors responsible for the construction, inspection and/or testing of such facilities received appropriate training on UGI Gas's applicable standards and procedures, which, if followed, would have resulted in compliant butt-fusions and electrofusion coupling joints.
- b. A Foreman and Laborer employed by UGI Gas's subcontractor, SKODA, installed no less than 27 butt fusion joints and 25 electrofusion coupling joints that failed UGI Gas's procedures, including GOM 25.10.10 and GOM 25.10.30, by producing questionable and visually unacceptable joints contrary to UGI's standards and procedures. UGI Gas implemented and maintained GOM 25.10.10 and GOM 25.10.30 in compliance with 192 CFR §192.13(c), and provided appropriate training to its subcontractor that, if followed, would have resulted in compliant butt-fusion joints and electrofusion coupling joints per GOM 25.10.10 and GOM 25.10.30 as well as 192 CFR §§ 192.273(b) and 192.303. Despite having received appropriate training from UGI Gas regarding the construction, inspection and/or testing of these pipeline facilities that, if followed, would have resulted in appropriate and compliant joints and couplings, the specific Foreman and the

Laborer involved in these fusions failed to follow UGI Gas's standards and procedures.

- c. SKODA's Foreman and Laborer failed to visually inspect no less than 27 butt-fusions and 25 electrofusion coupling joints as required by UGI GOM 25.10.10, GOM 25.10.30 and GOM 30.10.20 and 49 CFR Part 192, Subpart F. UGI Gas implemented and maintained GOM 25.10.10, GOM 25.10.30 and GOM 30.10.20 in compliance with 192 CFR §192.13(c), and provided appropriate training to its subcontractor that, if followed, would have resulted in joints being visually inspected and compliant with GOM 25.10.10, GOM 25.10.30 and GOM 30.10.20 as well as 192 CFR §§ 192.273(b) and 192.303. Despite having received appropriate training from UGI Gas regarding the construction, inspection and/or testing of these pipeline facilities that, if followed, would have resulted in compliant joints and couplings, the specific Foreman and the Laborer involved in these fusions failed to follow UGI Gas's standards and procedures.

Settlement Agreement at ¶¶ 74(a)-(c).

As a result of negotiations, the Parties entered into the proposed Settlement Agreement, which is attached to this Opinion and Order, to amicably resolve the disputed issues. The Parties assert that the proposed Settlement Agreement is in the public interest and should, therefore, be approved by the Commission. Settlement Agreement at ¶ 97.

III. Terms of the Settlement⁵

The Parties state that the purpose of the Settlement is to terminate UGI's informal investigation and settle this matter completely without litigation. Both Parties jointly acknowledge that approval of the Settlement Agreement is in the public interest and is fully consistent with our Policy Statement. Settlement Agreement at ¶ 97. Moreover, the Parties agree that the Settlement Agreement is in the public interest

⁵ Pages 14 – 25 of the Settlement Agreement set forth the full Settlement Terms and Conditions.

because it effectively addresses I&E's allegations that are the subject of I&E's informal investigation, while also avoiding the inherent unpredictability of the outcome of a contested proceeding. Furthermore, the Parties assert that the Settlement Agreement includes valuable safety enhancements beyond what UGI could be required to implement under relevant state and federal regulations. *Id.* at ¶¶ 78, 84, 98, 100.

The essential terms of the Settlement are set forth in Paragraphs 81(A)-(I), and those terms are recited in full, below, as they appear in the Joint Petition:

81. I&E and UGI Gas, intending to be legally bound and for consideration given, desire to fully and finally conclude this investigation and agree that a Commission Order approving the Settlement without modification will create the following rights and obligations:

A. Civil Penalty:

UGI Gas will pay a civil penalty in the amount of One Hundred Fifty Thousand Dollars (\$150,000.00) pursuant to 66 Pa.C.S. § 3301(c). Said payment will be made within thirty (30) days of the entry date of the Commission's Final Order approving the Settlement Agreement and will be made by certified check or money order payable to the "Commonwealth of Pennsylvania." The docket number of this proceeding will be indicated with the certified check or money order and the payment will be sent to:

Matthew L. Homsher, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120

The civil penalty will not be tax deductible pursuant to Section 162(f) of the Internal Revenue Code, 26 U.S.C.S. § 162(f). UGI will not seek recovery of any portion of any agreed upon total civil penalty amount in any future ratemaking proceeding.

B. Bar Recovering Costs to Remediate:

UGI Gas will not seek recovery, through ratepayers, of the costs for the work performed by SKODA to investigate, inspect, and remediate the projects, identified in this settlement, performed by SKODA in 2022.

C. Recovery of Costs to Implement:

UGI Gas is not prohibited from seeking recovery of the costs it may incur to implement any of the below identified remedial actions taken since the occurrence of the incident.

D. Butt Fusion Reporting Requirements:

Since November 8, 2021, UGI Gas's Emergency Plan has required notification to the Commission's Pipeline Safety Division when a plastic fusion leak/failure occurs. UGI Gas also issued a revision to Gas Operating Manual ("GOM") 60.70.10 – Reporting and Investigating Material Failures on December 20, 2023, reinforcing that "all failed/leaking PE pipe and fitting materials that have been removed from service must be submitted to the Standards & Materials Department (to the UGI Learning Center)." UGI Gas will maintain its practice of notifying the Commission's Pipeline Safety Division of fusion failures as soon as practicable upon confirmed discovery^[6] of a fusion leak/failure.

E. Post-Construction Pressure Testing / In-Service Fusion Failure Database:

UGI Gas currently maintains a material failure database that includes post-construction pressure testing and in-service fusion failure data. A material failure form is required to be completed when a fusion fails during a post-construction pressure test or while

⁶ UGI Gas notes that confirmed discovery typically occurs during leak excavation/leak repair or material testing activities.

the fusion is in-service. Further, UGI Gas requires, and will continue to require, the removal of an individual operator's plastic joining operator qualification ("OQ") when a fusion performed by an individual operator fails a post-construction pressure test.

In the spirit of continuous improvement as identified in American Petroleum Institute ("API") 1173 – Pipeline Safety Management Systems ("PSMS"), UGI Gas agrees to enhance its material failure reporting process to ensure all pertinent information related to a fusion failure is documented, including, but not limited to, the type of fusion, location of failure, the operator(s) who completed the failed fusion, size of fusion, operating pressure, and root cause of failure (if feasible).

UGI Gas further agrees to update GOM 60.70.10 – Reporting and Investigating Material Failures as necessary within 12 months of a Final Order approving this Settlement Agreement to ensure appropriate documentation is captured for post construction pressure test and in-service fusion failures. Due to the sensitive, non-public nature, and the specificity of information to be maintained in this database (e.g., granular facility specific locations and characteristics), UGI Gas agrees to maintain an up-to-date version of this database onsite at 1 UGI Drive, Denver, PA 17517, and will make the information contained in this database available for review and inspection by the Commission's Pipeline Safety Division upon request, pursuant to 52 Pa. Code § 102.3(a).

F. Fusion Failure Investigation and Integrity Analysis:

UGI Gas has processes in place to ensure that butt-fusion failures identified during post-construction pressure testing and while in-service (as described in Paragraph E, above) are investigated and remediated; where necessary, UGI Gas also has processes in place to expand the scope of investigation of such failures. Importantly, all in-service fusion failures are already incorporated into UGI Gas's existing and new

probabilistic risk models through leak attribution data. UGI Gas agrees to continue modeling fusion failures in its risk model.

In the spirit of continuous improvement as identified in API 1173 – PSMS, UGI Gas will continue to mature its quality assurance (“QA”) processes to ensure that (1) in-service fusion failures are appropriately analyzed; and (2) integrity concerns are fully investigated and remediated when necessary. Following an in-service fusion failure, UGI Gas will continue its existing QA processes to ensure that plastic joining issues are investigated by UGI Gas’s subject matter experts (“SMEs”). UGI Gas will continue its existing fusion reporting to the Commission’s Pipeline Safety Division, which exceeds federal regulations under 49 C.F.R. Part 192, and is committing to share information collected related to these fusion failures with the Pipeline Safety Division upon request. Through these established communication channels, the Pipeline Safety Division will be able to examine UGI Gas’s investigation and remediation efforts for each in-service fusion failure that is reported to the Commission’s Pipeline Safety Division.

UGI Gas agrees to integrate the results and findings of its fusion investigations (as described in Paragraph F into its Distribution Integrity Management Program (“DIMP”). The DIMP will be enhanced to document, analyze, and trend the data. UGI Gas SMEs will conduct an annual review of this information as part of DIMP metrics. This enhancement will help identify fusion failure trends (e.g., construction practices, pipe sizes, pressures, locations) to understand and mitigate potential fusion risks on the distribution system. UGI Gas agrees to implement this enhancement to its DIMP within 12 months of a Final Order approving this Settlement Agreement.

G. GPS Fusion Capture:

UGI Gas has recently made significant field mapping investments by implementing a new asset data collection (“ADC”) system, enhancing and streamlining field data collection regarding UGI Gas’s distribution system. The ADC system enables UGI Gas to collect GPS data for every fusion installed. UGI Gas shall continue to require that GPS data be collected, where possible, for all new plastic fusions installed within its distribution system. New fusion GPS data can be utilized to locate fusions that were installed in the ADC system as needed. UGI Gas will enhance its procedures to clarify expectations for collecting GPS data for fusions. UGI Gas will issue a technical advisory bulletin ensuring employees are made aware of this procedural enhancement. UGI Gas agrees to implement this procedural enhancement and associated employee communication within 12 months of a Final Order approving this Settlement Agreement.

H. Enhanced Data Collection:

UGI Gas has expanded its data capture of fusion attribute information associated with each fusion installed as a result of the ADC system implementation referenced in Paragraph G, above. UGI Gas’s new ADC system can collect the following information regarding new fusion installations: (i) Installation Date; (ii) Fuser(s) Qualification Date; (iii) Fuser Identification; (iv) Fusion Type; (v) Fusion Equipment Model Type, Fusion Equipment Serial #; (vi) UGI Gas Contactor Name, if applicable; (vii) Butt-Fusion Heater Plate Temperature, if applicable; (viii) Fusion Pressure; (ix) Fusion Time; (x) Heater Pressure; and other attributes. UGI Gas can also document whether an installed fusion was inspected, and the employee who performed the inspection. UGI Gas agrees to continue collecting this enhanced and robust set of fusion attributes upon installation.

Given the abilities that UGI Gas’s new ADC system has afforded the Company regarding fusion data

collection, UGI Gas continues to explore and pilot new technologies that can further streamline fusion installation data collection through available technology, such as the McElroy Datalogger. UGI Gas has committed, and maintains its commitment, to meet with the Commission's Pipeline Safety Division regarding the feasibility of Datalogging technologies and discuss its potential use at the Company.

I. API RP 1173 – Pipeline Safety Management System (“PSMS”) Enhancements:

UGI Gas remains committed to aligning with the intent and principles of API RP 1173, where feasible. UGI Gas will continue integrating API RP 1173's concepts into its internal processes, such as the design, oversight, and governance of fusion procedures. Integrating API RP 1173's concepts strengthen safety, quality, and operational consistency. With the aforementioned notwithstanding, UGI Gas has recently made several enhancements regarding the lifecycle of plastic joining. These efforts relate directly to various elements found in API 1173 and are described in detail below.

API RP 1173 Section 5: Risk Management – UGI Gas's QA Department completes destructive testing on higher risk plastic fusion projects to ensure quality work can be done for the balance of the project. UGI Gas's GOM Section 25.10 remains up to date on acceptable fusion equipment and approved plastic pipe materials. UGI Gas has also recently completed and is still analyzing the results of a Fusion Datalogger Pilot to determine if enhanced attribute information during butt-fusion construction activities can be collected and reviewed, which would objectively verify that each fusion was performed in accordance with the qualified procedure.

API RP 1173 Section 6: Operations Controls – UGI Gas GOM Section 25.10 documents the established and implemented procedures for joining

plastic pipes to align with ASTM International (“ASTM”) Standards F2620 and F3565. These procedures include inspection and acceptance criteria for fusions. In addition, UGI Gas qualifies all technicians as outlined in UGI Gas’s GOM Section 80.10.10 – OQ Plan and Task Evaluation Forms, and requires that fusion inspectors be correspondingly OQ-certified for the respective fusion task. Establishing the means to create a traceable distinct record of all fusions was implemented with the ADC project described above, in October 2023. ADC allows UGI Gas to collect, maintain and review applicable information as described in subparagraph G, above.

API RP 1173 Section 7: Incident Investigation & Lessons Learned – UGI Gas requires the reporting of all plastic fusion failures through its GOM. GOM Section 60.70.10 – Reporting and Investigating Material Failures was enhanced in December 2023 to require all failed/leaking polyethylene (“PE”) pipe and fitting materials, which have been removed from service and cut out, to be submitted to the Standards & Materials Department for investigation and subsequent analysis. UGI Gas’s QA processes also outline the expectations for the inspection and escalation of exceptions found at the time of audit/inspection of fusions.

API RP 1173 Section 8: Safety Assurance – UGI Gas’s QA processes leverage proactive destructive testing techniques as a QA measure for high-risk fusions.^[7] Prior to or within two weeks of construction, UGI Gas requires distribution construction contractor(s) and/or Company employee(s) that will use butt-fusion equipment for a project to create sample butt fusion(s) on a project site, using actual project materials, that will then be destructively tested by UGI Gas. In addition, planned post-construction quality control (“QC”) fusion sampling and testing was piloted in

⁷ “High-risk fusions” are defined as butt fusions on 6” or larger diameter plastic pipe.

FY25. Due to the success of the pilot, UGI Gas intends to scale the practice and integrate it into FY26 quality management scope of work. GOM Section 60.70.10 – Reporting and Investigation of Material Failures outlines expectations for evidence collection and preservation for any necessary examination, testing, and/or analysis.

API RP 1173 Section 9: Management Review and Continuous Improvement – UGI Gas’s applicable senior management is, and will remain, an active participant and/or overseer of all incidents related to events associated with a Fusion. In addition, they are benefactors of monthly data insights to the above Operational Controls, where applicable.

Settlement Agreement at ¶¶ 81(A)-(I).

In consideration of UGI’s agreement to the terms of the Joint Petition, and upon the Commission’s approval of the Joint Petition without modification, I&E agrees that it will not file any complaints or initiate other action against UGI at the Commission with respect to the allegations which were the subject of I&E’s investigation. Settlement Agreement at ¶ 82.

Additionally, the Parties indicate that the Joint Petition represents the Settlement Agreement in its entirety. The proposed Settlement Agreement is conditioned on the Commission’s approval, without modification of any of its terms or conditions. If the Commission rejects the proposed Settlement Agreement, or makes any change or modification thereto, either Party may elect to withdraw from the Settlement Agreement. Moreover, the Settlement Agreement represents a compromise of positions and does not constitute a finding of culpability or an admission concerning the alleged violations. Finally, the Parties present the Settlement Agreement without prejudice to any position that I&E or UGI may advance in the future on the merits of the issues in any future

proceeding, except to the extent necessary to effectuate the terms and conditions of the Settlement Agreement. Settlement Agreement at ¶¶ 87, 88, 91, 92, 100.

IV. Discussion

Pursuant to our Regulations at 52 Pa. Code § 5.231, it is the Commission's policy to promote settlements. However, the Commission must review proposed settlements to determine whether the terms are in the public interest. *Pa. PUC v. Philadelphia Gas Works*, Docket No. M-00031768 (Opinion and Order entered January 7, 2004).

In reviewing settlements that resolve informal investigations, the Commission will provide other potentially affected parties with the opportunity to file comments regarding a proposed settlement prior to issuing a decision. The Commission's Regulations at 52 Pa. Code § 3.113(b) provide as follows:

§ 3.113. Resolution of informal investigations.

* * *

(b) Under 65 Pa.C.S. Chapter 7 (relating to Sunshine Act), the Commission's official actions resolving informal investigations will be as follows:

* * *

(3) When the utility, or other person subject to the Commission's jurisdiction, has committed to undertake action to address or remedy a violation or potential violation of the act or to resolve another perceived deficiency at the utility, in the form of a settlement with the Commission staff or other resolution of the matter, the Commission's consideration of the settlement or approval of the utility's action will occur at public meeting. Except for staff reports and other documents

covered by a specific legal privilege, documents relied upon by the Commission in reaching its determination shall be made part of the public record. **Before the Commission makes a final decision to adopt the settlement or to approve the utility's action, the Commission will provide other potentially affected persons with the opportunity to submit exceptions thereon or to take other action provided for under law.**

52 Pa. Code § 3.113(b)(3) (emphasis added). *See also Pa. PUC, Bureau of Investigation and Enforcement v. PPL Electric Utilities Corporation*, Docket No. M-2012-2264635 (Opinion and Order entered September 13, 2012); *Pa. PUC, Bureau of Investigation and Enforcement v. Liberty Power Holdings, LLC*, Docket No. M-2019-2568471 (Order entered August 8, 2019).

V. Conclusion

Before issuing a decision on the merits of the proposed Settlement, and consistent with the requirement of 52 Pa. Code § 3.113(b)(3), and for the reasons stated above, we believe it is appropriate to publish the Settlement in the *Pennsylvania Bulletin*. Therefore, we will: (1) publish this Opinion and Order and a copy of the proposed Settlement and Statements in Support, attached hereto, in the *Pennsylvania Bulletin*; and (2) provide an opportunity for interested parties to file comments regarding the proposed Settlement within twenty-five (25) days after the date of publication in the *Pennsylvania Bulletin*; **THEREFORE,**

IT IS ORDERED:

1. That the Secretary's Bureau shall duly certify this Opinion and Order along with the attached Joint Petition for Approval of Settlement, Proposed Ordering Paragraphs, and the Statements in Support of the Settlement, at Docket No.

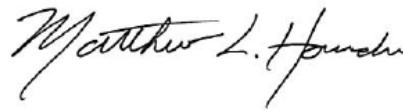
M-2026-3051981, and send them to the Legislative Reference Bureau for publication in the *Pennsylvania Bulletin*.

2. That within twenty-five (25) days after the date that this Opinion and Order and the attached Joint Petition for Approval of Settlement, Proposed Ordering Paragraphs, and the Statements in Support of the Settlement thereof are published in the *Pennsylvania Bulletin*, interested parties may file comments concerning the proposed Settlement.

3. That a copy of this Opinion and Order, together with the attached Joint Petition for Approval of Settlement, Proposed Ordering Paragraphs, and the Statements in Support of the Settlement, at Docket No. M-2026-3051981, shall be served on the Office of Consumer Advocate and the Office of Small Business Advocate.

4. That, subsequent to the Commission's review of any comments filed in this proceeding, at Docket No. M-2026-3051981, a final Opinion and Order will be issued by the Commission.

BY THE COMMISSION,

A handwritten signature in black ink, reading "Matthew L. Homsher". The signature is written in a cursive style with a large, stylized "M" and "H".

Matthew L. Homsher
Secretary

(SEAL)

ORDER ADOPTED: July 16, 2026

ORDER ENTERED: July 16, 2026

ATTACHMENT

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Investigation of UGI Utilities, Inc. –	:	
Gas Division relating to plastic pipe	:	
fusion, inspection, and installation	:	Docket No. M-2026-3051981
issues in construction projects in	:	
Allentown, Bethlehem, Nazareth, and	:	
Emmaus, Pennsylvania	:	

**JOINT PETITION FOR APPROVAL OF SETTLEMENT
(NON-PROPRIETARY VERSION)**

TO THE HONORABLE PENNSYLVANIA PUBLIC UTILITY COMMISSION:

Pursuant to 52 Pa. Code §§ 5.41 and 5.232, the Pennsylvania Public Utility Commission’s (“Commission”) Bureau of Investigation and Enforcement (“I&E” or “Complainant”) and UGI Utilities, Inc. – Gas Division (“UGI,” “UGI Gas,” or “Company”) (hereinafter referred to collectively as the “Parties” or “Joint Petitioners”) hereby submit this Joint Petition for Approval of Settlement (“Settlement” or “Settlement Agreement”) to resolve all issues relating to plastic pipe fusion, inspection, and installation issues found between March 2023 and July 2025 in construction projects in Allentown, Bethlehem, Nazareth, and Emmaus, Pennsylvania (“Incident”). I&E and UGI respectfully request that the Commission approve the Settlement, without modification, for the compelling public interest reasons set forth, *infra*. Also attached are Proposed Ordering Paragraphs (Appendix A) and Statements in Support of the Settlement expressing the individual views of I&E (Appendix B) and UGI (Appendix C), respectively.

I. INTRODUCTION

2. The Parties to this Settlement Agreement are the Pennsylvania Public Utility Commission's Bureau of Investigation and Enforcement, by its prosecuting attorneys, 400 North Street, Harrisburg, Pennsylvania 17120 and UGI, a natural gas distribution company ("NGDC"), with a principal place of business of 1 UGI Drive, Denver, PA 17517.

3. The Pennsylvania Public Utility Commission is a duly constituted agency of the Commonwealth of Pennsylvania empowered to regulate public utilities within this Commonwealth, as well as other entities subject to its jurisdiction, pursuant to 66 Pa.C.S. §§ 101, *et seq.*

4. I&E is the entity established to prosecute complaints against public utilities and other entities subject to the Commission's jurisdiction pursuant to 66 Pa.C.S. § 308.2(a)(11); *see also* Implementation of Act 129 of 2008; Organization of Bureaus and Offices, Docket No. M-2008-2071852 (Order entered August 11, 2011) (delegating authority to initiate proceedings that are prosecutory in nature to I&E).

5. Section 501(a) of the Code, 66 Pa.C.S. § 501(a), authorizes and obligates the Commission to execute and enforce the provisions of the Code.

6. Pursuant to Section 59.33(b) of the Commission's regulations, 52 Pa. Code § 59.33(b), I&E's Pipeline Safety Division ("Pipeline Safety") has the authority to enforce Federal pipeline safety laws and regulations set forth in 49 U.S.C.A. §§ 60101-60503 and as implemented at 49 CFR Parts 191-193, 195 and 199. The Federal pipeline safety laws and regulations prescribe the minimum safety standards for all natural gas and hazardous liquid public utilities in the Commonwealth.

7. Section 3301(c) of the Code, 66 Pa.C.S. § 3301(c), which is specific to gas

pipeline safety violations, authorizes the Commission to impose civil penalties on any person or corporation, defined as a public utility, who violates any provisions of the Code or any regulation or order issued thereunder governing the safety of pipeline or conduit facilities in the transportation of natural gas, flammable gas, or gas which is toxic or corrosive. Section 3301(c) further provides that a civil penalty of up to Two Hundred Thousand Dollars (\$200,000) per violation for each day that the violation persists may be imposed, except that for any related series of violations, the maximum civil penalty shall not exceed Two Million Dollars (\$2,000,000) or the penalty amount provided under Federal pipeline safety laws, whichever is greater.

8. Civil penalties for violations of Federal pipeline safety laws and regulations are adjusted annually to account for changes in inflation pursuant to the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015, Pub. L. 114-74, § 701, 129 Stat. 599, 28 U.S.C. § 2461 note (Nov. 2, 2015) (amending the Federal Civil Penalties Inflation Adjustment Act of 1990). The applicable adjustment made by the U.S. Department of Transportation’s Pipeline and Hazardous Materials Safety Administration (“PHMSA”) occurred on December 30, 2024 and revised the maximum civil penalty to Two Hundred Seventy-Two Thousand, Nine Hundred Twenty-Six Dollars (\$272,926.00) for each violation and for each day the violation continues, with a maximum penalty not to exceed Two Million, Seven Hundred Twenty-Nine Thousand, Two Hundred Forty-Five Dollars (\$2,729,245.00) for a related series of violations. 89 F.R. 106294 (Dec. 30, 2024).

9. UGI Gas is a “public utility” as that term is defined at 66 Pa.C.S. § 102 as it is engaged in providing public utility service as an NGDC in the Commonwealth of Pennsylvania to the public for compensation.

10. UGI Gas, as an NGDC, is subject to the power and authority of the Commission pursuant to Section 501(c) of the Code, 66 Pa.C.S. § 501(c), which requires a public utility to comply with Commission regulations and orders.

11. Pursuant to the provisions of the applicable Commonwealth statutes and regulations, the Commission has jurisdiction over this subject matter and the actions of UGI Gas in its capacity as an NGDC.

II. STIPULATED FACTUAL BACKGROUND

12. On or about December 29, 2022, engineers from the I&E Pipeline Safety Division (“Pipeline Safety”) conducted a plastic pipeline construction inspection on the 100 Block of North Liberty Street in Nazareth, Pennsylvania (“Liberty Street Project”). This project included the installation of 1,200 feet of 2-inch plastic main, 1,875 feet of 4-inch plastic main, renewing twenty-six existing gas services, reconnecting nine existing gas services, and one service abandonment.

13. During this inspection, Pipeline Safety witnessed employees of SKODA Contracting (“SKODA”), a UGI Gas subcontractor, failing to follow UGI Gas construction procedures during the installation of plastic main.

14. On January 3, 2023, UGI Gas and SKODA met with Pipeline Safety engineers on site where UGI directed SKODA to perform five integrity inspections at various locations along the Liberty Street Project to verify that UGI Gas construction procedures had been followed.

15. On January 9 and 10, 2023, UGI Gas and SKODA conducted the five integrity inspections on the Liberty Street Project, exposing thirteen (13) butt fusion joints.

16. Five of the thirteen butt fusion joints failed visual inspection, were cut out, and sent for destructive testing.

17. The issues found on the Liberty Street Project were linked to a particular Foreman and Laborer employed by SKODA.

18. On January 25, 2023, UGI Gas reported to I&E's Pipeline Safety Division that five of the butt fusion joints failed visual inspection, one of those joints failed destructive testing, and that UGI Gas would be replacing all of the fusion joints on the Liberty Street Project.

19. The Liberty Street Project was not placed into service prior to the discovery of the visually unacceptable fusions.

20. Following the results of the testing, Pipeline Safety requested that UGI Gas provide a plan for evaluating past projects completed by SKODA to ensure compliance and set company inspection oversight requirements.

21. On April 19, 2023, UGI Gas finished replacing the entirety of the pipeline on the Liberty Street Project. SKODA performed this work under UGI Gas's supervision at no additional cost to UGI Gas.

22. From March 2023 through July 2025, UGI expanded its integrity inspections by conducting investigative digs at twelve (12) other projects, on which the same SKODA Foreman and Laborer involved in the Liberty Street Project were involved in during 2022. UGI began remediation of discovered issues in April 2023. The identified SKODA Foreman and Laborer no longer perform and are not permitted to perform work on UGI Gas's system.

23. In total, UGI investigated 273 facilities across the Liberty Street Project and the other twelve projects.

24. Integrity inspections of the twelve other projects revealed twenty-seven (27) butt fusion joints and twenty-five (25) electrofusion joints that failed visual inspection or UGI Gas 's construction procedures.

25. The butt fusion joints failed visual inspection for reasons that included inconsistent bead size, gouge size outside the tolerance, and misalignment.

26. The electrofusion joints failed visual inspection for reasons that included misalignment, visible wire, gap between stab depth mark and coupling, and lack of stab depth marks.

27. UGI Gas investigated, cut out and replaced all plastic fusion joints that were found to be visually unacceptable.

28. The projects with visually unacceptable fusions are detailed below.

***Start Confidential* *End Confidential* blocks of West Market Street,
Bethlehem, PA**

29. The construction project at West Market Street, Bethlehem, PA (“Market Street Project”) was completed on April 1, 2022.

30. The Market Street Project consisted of installing 1302 feet of 2-inch HDPE main.

31. Starting on November 6, 2023, inspection of the Market Street Project found one butt fusion joint and one electrofusion joint that failed visual inspection.

32. UGI Gas cut out and replaced all plastic fusion joints that failed inspection.

***Start Confidential* *End Confidential* blocks of Prospect Street,
Bethlehem, PA.**

33. The construction project at Prospect Street, Bethlehem, PA (“Prospect Street Project”) was completed on May 12, 2022.

34. The Prospect Street Project consisted of installing 1754 feet of 6-inch plastic main, 13 feet of 4-inch plastic main, and 63 feet of 2-inch plastic main.

35. Starting on November 15, 2023, inspection of the Prospect Street Project found one butt fusion joint and two electrofusion joints that failed visual inspection.

36. UGI Gas cut out and replaced all plastic fusion joints that failed inspection.

***Start Confidential* *End Confidential* block Green Street, Nazareth, PA**

37. The construction project at Green Street, Nazareth, PA (“Green Street Project”) was completed on June 14, 2022.

38. The Green Street Project consisted of installing 1961 feet of 6-inch plastic main and 116 feet of 2-inch plastic main.

39. Starting on October 25, 2023, inspection of the Green Street Project found two butt fusion joints and one electrofusion joint that failed visual inspection.

40. UGI Gas cut out and replaced all plastic fusion joints that failed inspection.

***Start Confidential* *End Confidential* block of West North Street, Nazareth, PA**

41. The construction project at West North Street, Nazareth, PA (“North Street Project 1”) was completed on June 15, 2022.

42. The North Street Project 1 consisted of installing 1062 feet of 6-inch plastic main and 295 feet of 2-inch plastic main.

43. Starting on November 1, 2023, inspection of the 300 North Street Project found three butt fusion joints and three electrofusion joints that initially failed visual

inspection. It was subsequently determined that one of the butt-fusion joints satisfied UGI Gas's standards and was visually acceptable.

44. UGI Gas cut out and replaced all plastic fusion joints that failed inspection.

***Start Confidential* *End Confidential* block of Center Street, Nazareth, PA**

45. The construction project at Center Street, Nazareth, PA ("Center Street Project") was completed on July 5, 2022.

46. The Center Street Project consisted of installing 3182 feet of 2-inch plastic main.

47. Starting on October 31, 2023, inspection of the Center Street Project found four butt fusion joints and one electrofusion joint that failed visual inspection.

48. UGI Gas cut out and replaced all plastic fusion joints that failed inspection.

***Start Confidential* *End Confidential* block of 1st Street, Emmaus, PA**

49. The construction project at 1st Street, Emmaus, PA ("1st Street Project") was completed on August 25, 2022.

50. The 1st Street Project consisted of installing 58 feet of 4-inch plastic main and 2661 feet of 2-inch plastic main.

51. Starting on October 18, 2023, inspection of the 1st Street Project found two butt fusion joints that failed visual inspection.

52. UGI Gas cut out and replaced all plastic fusion joints that failed inspection.

***Start Confidential* *End Confidential* block of Spruce Street, Emmaus, PA.**

53. The construction project at Spruce Street, Emmaus, PA ("Spruce Street Project") was completed on September 9, 2022.

54. The Spruce Street Project consisted of installing 4557 feet of 2-inch plastic main.

55. Starting on October 19, 2023, inspection of the Spruce Street Project found one butt fusion joint and two electrofusion joints that failed visual inspection.

56. UGI Gas cut out and replaced all plastic fusion joints that failed inspection.

***Start Confidential* *End Confidential* block of West 4th Avenue, Bethlehem, PA.**

57. The construction project at West 4th Avenue, Bethlehem, PA (“4th Avenue Project”) was completed on November 2, 2022.

58. The 4th Avenue Project consisted of installing 782 feet of 6-inch plastic main, four feet of 4-inch plastic main, and 1143 feet of 2-inch plastic main.

59. Starting on July 18, 2023, inspection of the 4th Avenue Project found three butt fusion joints and two electrofusion joints that failed visual inspection.

60. UGI Gas cut out and replaced all plastic fusion joints that failed inspection.

***Start Confidential* *End Confidential* block of West North Street, Nazareth, PA.**

61. The construction project at West North Street, Nazareth, PA (“North Street Project 2”) was completed on October 11, 2022.

62. The North Street Project 2 consisted of installing 1833 feet of 6-inch plastic main, 30 feet of 4-inch plastic main, and 1439 feet of 2-inch plastic main.

63. Starting on April 19, 2023, inspection of the 000 North Street Project found seven butt fusion joints and ten electrofusion joints that failed visual inspection.

64. UGI Gas cut out and replaced all plastic fusion joints that failed inspection.

***Start Confidential* *End Confidential* blocks of Spring Street, Bethlehem, PA.**

65. The construction project at Spring Street, Nazareth, PA (“Spring Street Project”) was completed on December 2, 2022.
66. The Spring Street Project consisted of installing 2155 feet of 2-inch plastic main.
67. Starting on March 1, 2023, inspection of the Spring Street Project found four butt fusion joints and three electrofusion joints that failed visual inspection. Remediation of the butt fusion and electrofusion joints began on April 5, 2023.
68. UGI Gas cut out and replaced all plastic fusion joints that failed inspection.
69. The relevant sections of UGI Gas’s Gas Operations Manual (“GOM”) related to the above-described projects are summarized below.
70. UGI Gas’s procedure GOM 25.10.10, which was effective when the above-referenced construction projects occurred, required the following in relevant part:
- a. “Visually mitered (angled, off-set) field joints must be cut out and re-fused.”
 - b. Operator qualified fusers or inspectors verify that the butt fusion bead is visually acceptable in that the “double bead should be rolled over to the surface and be uniformly rounded and consistent in size all around the pipe or fitting” and the “v-groove depth between the beads should not be more than half the bead height.”
 - c. Operator qualified fusers or inspectors “visually inspect the butt fusion and never allow a questionable joint to be installed.”
71. UGI Gas’s procedure GOM 25.10.30, which was effective when the construction above-referenced projects occurred, required the following in relevant part:
- a. Plastic pipe must be properly aligned and straight in the electrofusion coupling.

- b. Prior to inserting the pipe into the coupling, insertion depth markings must be made on the plastic pipe to ensure the proper insertion depth for the coupling.
- c. “The completed electrofusion joint should be visually examined for proper fusion: there should be no more than 1/8” of exposed heating element wires extending beyond the ends of the coupling for no more than 90° around the pipe, with no indication of melt extending beyond the edge of the coupling. Never allow a questionable fusion to be installed.”

72. UGI Gas’s procedure GOM 30.10.20, which was effective when the above-referenced construction projects occurred, required in relevant part that “[e]ach main must be inspected to ensure that it is constructed in accordance with Company and federal standards” and “[f]or work performed by an outside contractor, all items require inspection by the crew [and] must be inspected on a routine basis by a Company inspector as well as continually by the contractor’s crew foreman.”

73. The visually unacceptable butt fusion and electrofusion joints did not result in any gas leaks, explosions, fires, damages, or injuries.

III. ALLEGED VIOLATIONS

A. Position of I&E

74. Had this matter been fully litigated rather than resolved through this Settlement, I&E would have proffered evidence and legal argument that UGI Gas violated certain provisions of the Public Utility Code, Commission regulations, and/or Code of Federal Regulations in that:

- g. UGI Gas operated a segment of pipeline that was not designed, installed, constructed, initially inspected, and/or initially tested in accordance with Part 192 of Title 49 of the Code of Federal Regulations or UGI’s procedures. If proven, this is a violation of 49 CFR § 192.13(a) (General Requirements).

- h. UGI Gas installed no less than 27 butt fusion joints that were not made in accordance with its procedures and failed to follow GOM 25.10.10, in that UGI Gas allowed the installation of butt fusion joints that were questionable and visually unacceptable due to misalignment, inconsistent beads, and improper groove depth. If proven, this is a violation of 49 CFR § 192.13(c) (General Requirements), 49 CFR § 192.303 (Compliance with specifications and standards), and 49 CFR § 192.273(b) (Joining of Materials Other Than by Welding - General).
- i. UGI Gas installed no less than 25 electrofusion coupling joints that were not made in accordance with its procedures and failed to follow GOM 25.10.30, in that UGI Gas allowed the installation of electrofusion coupling joints that were questionable and visually unacceptable due to misalignment, improper insertion depth, lack of insertion depth marks, and visible wires. If proven, this is a violation of 49 CFR § 192.13(c) (General Requirements), 49 CFR § 192.303 (Compliance with specifications and standards), and 49 CFR § 192.273(b) (Joining of Materials Other Than by Welding - General).
- j. UGI Gas failed to inspect no less than 27 visually unacceptable butt fusions to ensure compliance with Subpart F of Part 192 in Title 49 and failed to inspect the visually unacceptable butt fusions as required by procedures GOM 25.10.10 and GOM 30.10.20. If proven, this is a violation of 49 CFR § 192.13(c) (General Requirements), 49 CFR § 192.303 (Compliance with specifications and standards), and 49 CFR §§ 192.273(c) (Joining of Materials Other than by Welding - General).
- k. UGI Gas failed to inspect no less than 25 visually unacceptable electrofusion couplings to ensure compliance with Subpart F of Part 192 in Title 49 and failed to inspect the visually unacceptable electrofusion couplings as required by procedures GOM 25.10.30 and GOM 30.10.20. If proven, this is a violation of 49 CFR § 192.13(c) (General Requirements), 49 CFR § 192.303 (Compliance with specifications and standards), and 49 CFR §§ 192.273(c) (Joining of Materials Other than by Welding - General).
- l. UGI Gas failed to furnish and maintain adequate, efficient, safe and reasonable service and facilities and make such repairs, changes, alterations, substitutions, extensions and improvements in or to its service and facilities necessary or proper for the accommodation and safety of its customers, employees and the public, thereby placing the safety of its customers, employees and the public in danger. If proven, this is a violation of 66 Pa.C.S. § 1501 (Character of Service and Facilities).

B. Position of UGI

75. UGI Gas extensively investigated this matter. If this matter had been fully litigated rather than resolved through this Settlement, UGI Gas would have submitted evidence to demonstrate that it did not violate provisions of the Public Utility Code, Commission regulations, and/or Code of Federal Regulations. Among other things, UGI believes that it could demonstrate the following:

- a. UGI Gas's pipeline facilities were designed in accordance with 49 CFR §§ 192.1, et. Seq., and its contractors responsible for the construction, inspection and/or testing of such facilities received appropriate training on UGI Gas's applicable standards and procedures, which, if followed, would have resulted in compliant butt-fusions and electrofusion coupling joints.
- b. A Foreman and Laborer employed by UGI Gas's subcontractor, SKODA, installed no less than 27 butt fusion joints and 25 electrofusion coupling joints that failed UGI Gas's procedures, including GOM 25.10.10 and GOM 25.10.30, by producing questionable and visually unacceptable joints contrary to UGI's standards and procedures. UGI Gas implemented and maintained GOM 25.10.10 and GOM 25.10.30 in compliance with 192 CFR §192.13(c), and provided appropriate training to its subcontractor that, if followed, would have resulted in compliant butt-fusion joints and electrofusion coupling joints per GOM 25.10.10 and GOM 25.10.30 as well as 192 CFR §§ 192.273(b) and 192.303. Despite having received appropriate training from UGI Gas regarding the construction, inspection and/or testing of these pipeline facilities that, if followed, would have resulted in appropriate and compliant joints and couplings, the specific Foreman and the Laborer involved in these fusions failed to follow UGI Gas's standards and procedures.
- c. SKODA's Foreman and Laborer failed to visually inspect no less than 27 butt-fusions and 25 electrofusion coupling joints as required by UGI GOM 25.10.10, GOM 25.10.30 and GOM 30.10.20 and 49 CFR Part 192, Subpart F. UGI Gas implemented and maintained GOM 25.10.10, GOM 25.10.30 and GOM 30.10.20 in compliance with 192 CFR §192.13(c), and provided appropriate training to its subcontractor that, if followed, would have resulted in joints being visually inspected and compliant with GOM 25.10.10, GOM 25.10.30 and GOM 30.10.20 as well as 192 CFR §§ 192.273(b) and 192.303. Despite having received

appropriate training from UGI Gas regarding the construction, inspection and/or testing of these pipeline facilities that, if followed, would have resulted in compliant joints and couplings, the specific Foreman and the Laborer involved in these fusions failed to follow UGI Gas's standards and procedures.

C. Other Considerations

76. The parties recognize that their respective positions and arguments may or may not have been accepted by the Commission if the matter was fully litigated.

77. As a mitigating factor to the above allegations, I&E acknowledges that UGI Gas fully cooperated with I&E's investigation. During the investigatory process, UGI Gas fully complied with I&E's requests for information and documentation and timely provided I&E with records, correspondence, and other documents as requested by I&E. In addition, UGI Gas regularly apprised I&E of its progress remediating the identified fusion joints. Finally, UGI Gas notes that the remediation work was performed by its contractor without additional cost to UGI.

IV. SETTLEMENT TERMS

78. Pursuant to the Commission's policy of encouraging settlements that are reasonable and in the public interest, as set forth at 52 Pa. Code § 5.231(a), I&E and UGI Gas held a series of discussions and meetings that culminated in this Settlement. I&E and UGI Gas desire to: (i) terminate I&E's informal investigation; and (ii) settle this matter completely without litigation. The Parties recognize that this is a disputed claim and given the inherent unpredictability of the outcome of a contested proceeding, the Parties further recognize the significant and more immediate benefits of amicably resolving the disputed issues through settlement as opposed to time-consuming and expensive litigation.

79. This matter is worthy of resolution without litigation as the remedial measures agreed to by the Company in this Settlement Agreement include valuable safety enhancements that go above and beyond what the Company could be required to implement via strict adherence to the provisions of the relevant state and federal regulations.

80. The Parties recognize that their positions and claims are disputed and further recognize the significant and more immediate benefits of amicably resolving the disputed issues through settlement as opposed to time-consuming and expensive litigation.

81. The terms and conditions of the Settlement Agreement, for which the Parties seek Commission approval, are set forth below.

82. I&E and UGI Gas, intending to be legally bound and for consideration given, desire to fully and finally conclude this investigation and agree that a Commission Order approving the Settlement without modification will create the following rights and obligations:

A. Civil Penalty:

UGI Gas will pay a civil penalty in the amount of One Hundred Fifty Thousand Dollars (\$150,000.00) pursuant to 66 Pa.C.S. § 3301(c). Said payment will be made within thirty (30) days of the entry date of the Commission's Final Order approving the Settlement Agreement and will be made by certified check or money order payable to the "Commonwealth of Pennsylvania." The docket number of this proceeding will be indicated with the certified check or money order and the payment will be sent to:

Matthew L. Homsher, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120

The civil penalty will not be tax deductible pursuant to Section 162(f) of the Internal Revenue Code, 26 U.S.C.S. § 162(f). UGI will not seek

recovery of any portion of any agreed upon total civil penalty amount in any future ratemaking proceeding.

B. Bar Recovering Costs to Remediate:

UGI Gas will not seek recovery, through ratepayers, of the costs for the work performed by SKODA to investigate, inspect, and remediate the projects, identified in this settlement, performed by SKODA in 2022.

C. Recovery of Costs to Implement:

UGI Gas is not prohibited from seeking recovery of the costs it may incur to implement any of the below identified remedial actions taken since the occurrence of the incident.

D. Butt Fusion Reporting Requirements:

Since November 8, 2021, UGI Gas's Emergency Plan has required notification to the Commission's Pipeline Safety Division when a plastic fusion leak/failure occurs. UGI Gas also issued a revision to Gas Operating Manual ("GOM") 60.70.10 – Reporting and Investigating Material Failures on December 20, 2023, reinforcing that "all failed/leaking PE pipe and fitting materials that have been removed from service must be submitted to the Standards & Materials Department (to the UGI Learning Center)." UGI Gas will maintain its practice of notifying the Commission's Pipeline Safety Division of fusion failures as soon as practicable upon confirmed discovery¹ of a fusion leak/failure.

E. Post-Construction Pressure Testing / In-Service Fusion Failure Database:

UGI Gas currently maintains a material failure database that includes post-construction pressure testing and in-service fusion failure data. A material failure form is required to be completed when a fusion fails during a post-construction pressure test or while the fusion is in-service. Further, UGI Gas requires, and will continue to require, the removal of an individual operator's plastic joining operator qualification ("OQ") when a fusion performed by an individual operator fails a post-construction pressure test.

¹ UGI Gas notes that confirmed discovery typically occurs during leak excavation/leak repair or material testing activities.

In the spirit of continuous improvement as identified in American Petroleum Institute (“API”) 1173 – Pipeline Safety Management Systems (“PSMS”), UGI Gas agrees to enhance its material failure reporting process to ensure all pertinent information related to a fusion failure is documented, including, but not limited to, the type of fusion, location of failure, the operator(s) who completed the failed fusion, size of fusion, operating pressure, and root cause of failure (if feasible). UGI Gas further agrees to update GOM 60.70.10 – Reporting and Investigating Material Failures as necessary within 12 months of a Final Order approving this Settlement Agreement to ensure appropriate documentation is captured for post construction pressure test and in-service fusion failures. Due to the sensitive, non-public nature, and the specificity of information to be maintained in this database (e.g., granular facility specific locations and characteristics), UGI Gas agrees to maintain an up-to-date version of this database onsite at 1 UGI Drive, Denver, PA 17517, and will make the information contained in this database available for review and inspection by the Commission’s Pipeline Safety Division upon request, pursuant to 52 Pa. Code § 102.3(a).

F. Fusion Failure Investigation and Integrity Analysis:

UGI Gas has processes in place to ensure that butt-fusion failures identified during post-construction pressure testing and while in-service (as described in Paragraph E, above) are investigated and remediated; where necessary, UGI Gas also has processes in place to expand the scope of investigation of such failures. Importantly, all in-service fusion failures are already incorporated into UGI Gas’s existing and new probabilistic risk models through leak attribution data. UGI Gas agrees to continue modeling fusion failures in its risk model.

In the spirit of continuous improvement as identified in API 1173 – PSMS, UGI Gas will continue to mature its quality assurance (“QA”) processes to ensure that (1) in-service fusion failures are appropriately analyzed; and (2) integrity concerns are fully investigated and remediated when necessary. Following an in-service fusion failure, UGI Gas will continue its existing QA processes to ensure that plastic joining issues are investigated by UGI Gas’s subject matter experts (“SMEs”). UGI Gas will continue its existing fusion reporting to the Commission’s Pipeline Safety Division, which exceeds federal regulations under 49 C.F.R. Part 192, and is committing to share information collected related to these fusion failures with the Pipeline Safety Division upon request. Through these established communication channels, the Pipeline Safety Division will be able to examine UGI Gas’s investigation and remediation efforts for each in-

service fusion failure that is reported to the Commission's Pipeline Safety Division.

UGI Gas agrees to integrate the results and findings of its fusion investigations (as described in Paragraph F into its Distribution Integrity Management Program ("DIMP"). The DIMP will be enhanced to document, analyze, and trend the data. UGI Gas SMEs will conduct an annual review of this information as part of DIMP metrics. This enhancement will help identify fusion failure trends (e.g., construction practices, pipe sizes, pressures, locations) to understand and mitigate potential fusion risks on the distribution system. UGI Gas agrees to implement this enhancement to its DIMP within 12 months of a Final Order approving this Settlement Agreement.

G. GPS Fusion Capture:

UGI Gas has recently made significant field mapping investments by implementing a new asset data collection ("ADC") system, enhancing and streamlining field data collection regarding UGI Gas's distribution system. The ADC system enables UGI Gas to collect GPS data for every fusion installed. UGI Gas shall continue to require that GPS data be collected, where possible, for all new plastic fusions installed within its distribution system. New fusion GPS data can be utilized to locate fusions that were installed in the ADC system as needed. UGI Gas will enhance its procedures to clarify expectations for collecting GPS data for fusions. UGI Gas will issue a technical advisory bulletin ensuring employees are made aware of this procedural enhancement. UGI Gas agrees to implement this procedural enhancement and associated employee communication within 12 months of a Final Order approving this Settlement Agreement.

H. Enhanced Data Collection:

UGI Gas has expanded its data capture of fusion attribute information associated with each fusion installed as a result of the ADC system implementation referenced in Paragraph G, above. UGI Gas's new ADC system can collect the following information regarding new fusion installations: (i) Installation Date; (ii) Fuser(s) Qualification Date; (iii) Fuser Identification; (iv) Fusion Type; (v) Fusion Equipment Model Type, Fusion Equipment Serial #; (vi) UGI Gas Contactor Name, if applicable; (vii) Butt-Fusion Heater Plate Temperature, if applicable; (viii) Fusion Pressure; (ix) Fusion Time; (x) Heater Pressure; and other attributes. UGI Gas can also document whether an installed fusion was inspected, and the employee who performed the

inspection. UGI Gas agrees to continue collecting this enhanced and robust set of fusion attributes upon installation.

Given the abilities that UGI Gas's new ADC system has afforded the Company regarding fusion data collection, UGI Gas continues to explore and pilot new technologies that can further streamline fusion installation data collection through available technology, such as the McElroy Datalogger. UGI Gas has committed, and maintains its commitment, to meet with the Commission's Pipeline Safety Division regarding the feasibility of Datalogging technologies and discuss its potential use at the Company.

I. API RP 1173 – Pipeline Safety Management System (“PSMS”) Enhancements:

UGI Gas remains committed to aligning with the intent and principles of API RP 1173, where feasible. UGI Gas will continue integrating API RP 1173's concepts into its internal processes, such as the design, oversight, and governance of fusion procedures. Integrating API RP 1173's concepts strengthen safety, quality, and operational consistency. With the aforementioned notwithstanding, UGI Gas has recently made several enhancements regarding the lifecycle of plastic joining. These efforts relate directly to various elements found in API 1173 and are described in detail below.

API RP 1173 Section 5: Risk Management – UGI Gas's QA Department completes destructive testing on higher risk plastic fusion projects to ensure quality work can be done for the balance of the project. UGI Gas's GOM Section 25.10 remains up to date on acceptable fusion equipment and approved plastic pipe materials. UGI Gas has also recently completed and is still analyzing the results of a Fusion Datalogger Pilot to determine if enhanced attribute information during butt-fusion construction activities can be collected and reviewed, which would objectively verify that each fusion was performed in accordance with the qualified procedure.

API RP 1173 Section 6: Operations Controls – UGI Gas GOM Section 25.10 documents the established and implemented procedures for joining plastic pipes to align with ASTM International (“ASTM”) Standards F2620 and F3565. These procedures include inspection and acceptance criteria for fusions. In addition, UGI Gas qualifies all technicians as outlined in UGI Gas's GOM Section 80.10.10 – OQ Plan and Task Evaluation Forms, and requires that fusion inspectors be correspondingly OQ-certified for the respective fusion task. Establishing the means to create a traceable distinct record of all

fusions was implemented with the ADC project described above, in October 2023. ADC allows UGI Gas to collect, maintain and review applicable information as described in subparagraph G, above.

API RP 1173 Section 7: Incident Investigation & Lessons Learned – UGI Gas requires the reporting of all plastic fusion failures through its GOM. GOM Section 60.70.10 – Reporting and Investigating Material Failures was enhanced in December 2023 to require all failed/leaking polyethylene (“PE”) pipe and fitting materials, which have been removed from service and cut out, to be submitted to the Standards & Materials Department for investigation and subsequent analysis. UGI Gas’s QA processes also outline the expectations for the inspection and escalation of exceptions found at the time of audit/inspection of fusions.

API RP 1173 Section 8: Safety Assurance – UGI Gas’s QA processes leverage proactive destructive testing techniques as a QA measure for high-risk fusions.² Prior to or within two weeks of construction, UGI Gas requires distribution construction contractor(s) and/or Company employee(s) that will use butt-fusion equipment for a project to create sample butt fusion(s) on a project site, using actual project materials, that will then be destructively tested by UGI Gas. In addition, planned post-construction quality control (“QC”) fusion sampling and testing was piloted in FY25. Due to the success of the pilot, UGI Gas intends to scale the practice and integrate it into FY26 quality management scope of work. GOM Section 60.70.10 – Reporting and Investigation of Material Failures outlines expectations for evidence collection and preservation for any necessary examination, testing, and/or analysis.

API RP 1173 Section 9: Management Review and Continuous Improvement – UGI Gas’s applicable senior management is, and will remain, an active participant and/or overseer of all incidents related to events associated with a Fusion. In addition, they are benefactors of monthly data insights to the above Operational Controls, where applicable.

83. Upon Commission approval of the Settlement in its entirety without modification, I&E will not file any complaints or initiate other action against UGI Gas at the

² “High-risk fusions” are defined as butt fusions on 6” or larger diameter plastic pipe.

Commission with respect to the allegations that were the subject of I&E's instant investigation.

84. Following the performance of the non-monetary, remedial measures referenced above, UGI Gas will file with the Commission a verification acknowledging that the non-monetary, remedial measures have been met or complied with, pursuant to 52 Pa. Code § 5.591.

85. I&E and UGI Gas jointly acknowledge that approval of this Settlement Agreement is in the public interest and fully consistent with the Commission's Policy Statement regarding Factors and Standards for Evaluating Litigated and Settled Proceedings, 52 Pa. Code § 69.1201. The Parties submit that the Settlement Agreement is in the public interest because it effectively addresses I&E's allegations and avoids the time and expense of further litigation, which entails hearings, travel for out-of-state witnesses, and the preparation and filing of briefs, exceptions, and reply exceptions, as well as possible appeals. Attached as **Appendices B** and **C** are Statements in Support submitted by I&E and UGI Gas, respectively, setting forth the basis upon which the Parties believe the Settlement Agreement is in the public interest.

V. CONDITIONS OF SETTLEMENT

86. This document represents the Settlement Agreement in its entirety and constitutes a negotiated resolution solely of the above-referenced investigation. No changes to obligations set forth herein may be made unless they are in writing and are expressly accepted by the parties involved. This Settlement Agreement shall be construed and interpreted under Pennsylvania law, without regard to its conflict of laws provisions.

87. The Parties agree that this Settlement may be executed in one or more counterparts, each of which will be deemed an original, and all of which taken together constitute one and the same agreement that is binding upon the Parties as if they executed a single petition.

88. In order to effectuate this Settlement Agreement, the undersigned parties request that the Commission issue a Final Order approving the Settlement Agreement without modification.

89. The Settlement is conditioned upon the Commission's approval of the terms and conditions contained in this Settlement Agreement without modification. If the Commission modifies this Settlement Agreement, any party may elect to withdraw from this Settlement Agreement and may proceed with litigation or take such other action as deemed appropriate and, in such event, this Settlement Agreement shall be void and of no effect. Such election to withdraw must be made in writing, filed with the Secretary of the Commission, and served upon all parties within twenty (20) business days after entry of an Order modifying the Settlement.

90. The consequence of any party withdrawing from this Joint Petition as set forth above is that all issues associated with the requested relief presented in the proceeding may be fully litigated by the filing of a Formal Complaint or such other action may be taken as deemed appropriate unless otherwise stipulated between the parties and all obligations of the parties to each other set forth herein are terminated and of no force and effect.

91. The Parties agree that the underlying allegations were not the subject of any hearing and that there has been no Order, findings of fact, or conclusions of law rendered in this Complaint proceeding. It is further understood that, by entering into this Settlement

Agreement, UGI Gas has made no concession or admission of fact or law and may dispute all issues of fact and law for all purposes in any other proceeding, including but not limited to any civil proceedings, that may arise as a result of the circumstances described in this Joint Settlement Petition, nor may this settlement be used by any other person or entity as a concession or admission of fact or law.

92. The Parties acknowledge that this Settlement Agreement reflects a compromise of competing positions, does not necessarily reflect any party's position with respect to any issues raised in this proceeding, and does not in any way constitute a finding or an admission of guilt.

93. This Settlement Agreement is being presented only in the context of this proceeding in an effort to resolve the proceeding in a manner that is fair and reasonable and in the public interest. This Settlement is presented without prejudice to any position that any of the Parties may have advanced and without prejudice to the position any of the Parties may advance in the future on the merits of the issues in any other proceedings, except to the extent necessary to effectuate or enforce the terms and conditions of this Settlement Agreement. This Settlement does not preclude the Parties from taking other positions in any other proceeding but is conclusive in this proceeding and may not be reasserted in any other proceeding or forum except for the limited purpose of enforcing the Settlement by a Party.

94. UGI Gas does not admit to any violations of state or federal law with respect to the Incident.

95. The Parties agree that upon the filing of the Settlement, the three year requirement to bring a prosecution for this matter, found at 66 Pa.C.S. § 3314, shall be tolled until twenty (20) days after such time the Commission issues an Order approving or rejecting

the Settlement Agreement or a Party files its election to withdraw from the Settlement Agreement, whichever occurs later in time.

96. In the event the Commission rejects the Settlement or approves the Settlement with modifications or conditions, UGI Gas may raise affirmative defenses in any formal proceeding brought by I&E in connection with the Incident, including but not limited to, defenses based on state or federal statutes of limitation.

97. I&E and UGI Gas shall make good faith efforts to obtain approval of the Settlement Agreement by the Commission including, but not limited to, submitting Statements in Support of the Settlement. Both Parties' Statements in Support of the Settlement shall support the position that the agreed-to civil penalty to be paid by UGI Gas is adequate and consistent with the Commission's Policy Statement on settlement of investigations and the Rosi Standards for civil penalties and thus in the public interest.

98. I&E and UGI Gas jointly acknowledge that approval of this Settlement Agreement is in the public interest and is fully consistent with the Commission's Policy Statement for evaluating litigated and settled proceedings involving violations of the Code and Commission regulations, 52 Pa. Code § 69.1201. The Commission will serve the public interest by adopting this Settlement Agreement.

99. The Settlement avoids the time and expense of litigation in this matter before the Commission, which likely would entail the filing of a Formal Complaint, the preparation for and attendance at hearings, and the preparation and filing of testimony, briefs, reply briefs, exceptions, and reply exceptions. The Parties further recognize that their positions and claims are disputed and, given the inherent unpredictability of the outcome of a

contested proceeding, the Parties recognize the benefits of amicably resolving the disputed issues through settlement.

100. Since the Parties agree to the terms of the Settlement, adopting it will eliminate the possibility of any appeal from the Commission Secretarial Letter or Order, thus avoiding the additional time and expense that they might incur in such an appeal.

101. This Settlement consists of the entire agreement between I&E and UGI Gas regarding the matters addressed herein. Moreover, this Settlement Agreement represents a complete settlement of I&E's informal investigation of the alleged violations of state and federal regulations regarding the Incident, as discussed, *supra*.

102. The terms and conditions of this Settlement Agreement represent reasonably negotiated compromises on the issues addressed herein. Thus, the Settlement Agreement is consistent with the Commission's rules and practices encouraging negotiated settlements set forth in 52 Pa. Code §§ 5.231 and 69.1201.

WHEREFORE, the Pennsylvania Public Utility Commission's Bureau of Investigation and Enforcement and UGI Utilities, Inc. respectfully request that the Commission issue an Order approving the terms of this Settlement Agreement in their entirety, without modification, as being in the public interest.

[Signature Page to Follow]

Respectfully Submitted,

Pennsylvania Public Utility Commission,
Bureau of Investigation and Enforcement

UGI Utilities, Inc. - Gas Division

By: _____



Colby B. Widdowson
Prosecutor
PA Attorney ID No. 326185
Pennsylvania Public Utility Commission
Bureau of Investigation and Enforcement
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Date: March 20, 2026

By: _____



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*Counsel for UGI Utilities, Inc.- Gas
Division*

Date: March 20, 2026

By: /s/ Michael S. Swerling

Michael S. Swerling (ID # 94748)
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Date: March 20, 2026

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Investigation of UGI Utilities, Inc. –	:	
Gas Division relating to plastic pipe	:	
fusion, inspection, and installation	:	Docket No. M-2026-3051981
issues in construction projects in	:	
Allentown, Bethlehem, Nazareth, and	:	
Emmaus, Pennsylvania	:	

JOINT PROPOSED ORDERING PARAGRAPHS

1. That the Joint Settlement Petition filed on March 20, 2026, between the Commission’s Bureau of Investigation and Enforcement and UGI Utilities, Inc. – Gas Division is approved in its entirety without modification.

2. That, in accordance with Section 3301(c) of the Public Utility Code, 66 Pa.C.S. § 3301(c), within thirty (30) days of the date this Order becomes final, UGI Utilities, Inc. – Gas Division will pay a civil penalty of One Hundred Fifty Thousand Dollars (\$150,000.00). Said payment will be made by certified check or money order payable to “Commonwealth of Pennsylvania” and will be sent to:

Matthew Homsher, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120

3. That the civil penalty will not be tax deductible or passed through as an additional charge to UGI Utilities, Inc. – Gas Division customers in Pennsylvania.

4. That upon fulfillment of the non-monetary, remedial measures set forth in Paragraph 81 of the Settlement Agreement, UGI Utilities, Inc. – Gas Division will file with

the Commission a verification acknowledging compliance with the non-monetary remedial measures, pursuant to 52 Pa. Code § 5.591.

5. A copy of this Opinion and Order will be served upon the Financial and Assessment Chief, Bureau of Administration.

6. Upon receipt of the civil penalty and the verifications acknowledging that the non-monetary remedial measures of the Settlement Agreement have been fulfilled, the above-captioned matter shall be marked closed.

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Investigation of UGU Utilities, Inc. –	:	
Gas Division relating to plastic pipe	:	
fusion, inspection, and installation	:	Docket No. M-2026-3051981
issues in construction projects in	:	
Allentown, Bethlehem, Nazareth, and	:	
Emmaus, Pennsylvania.	:	

**THE BUREAU OF INVESTIGATION AND ENFORCEMENT’S
STATEMENT IN SUPPORT OF THE
JOINT PETITION FOR APPROVAL OF SETTLEMENT**

TO THE HONORABLE PENNSYLVANIA PUBLIC UTILITY COMMISSION:

Pursuant to 52 Pa. Code §§ 5.231, 5.232 and 69.1201, the Pennsylvania Public Utility Commission’s (“Commission” or “PUC”) Bureau of Investigation and Enforcement (“I&E” or “Complainant”), a signatory party to the Joint Petition for Approval of Settlement (“Settlement” or “Settlement Agreement”) filed in the matter docketed above, submits this Statement in Support of the Settlement Agreement between I&E and UGI Utilities, Inc. – Gas Division (“UGI,” “UGI Gas,” or “Company”).¹ I&E avers that the terms and conditions of the Settlement are just and reasonable and in the public interest for the reasons set forth herein.

¹ I&E and UGI are collectively referred to herein as the “Parties.”

I. Background

The I&E Pipeline Safety Division (“Pipeline Safety”) serves as a registered agent for the Pipeline and Hazardous Materials Safety Administration (“PHMSA”), a federal agency housed in the U.S. Department of Transportation and, as such, is contracted to enforce Federal pipeline safety standards on jurisdictional intrastate pipelines. Pipeline Safety employs engineer-inspectors who possess engineering degrees and are trained and qualified by PHMSA to perform pipeline safety inspections and verify compliance with the Federal pipeline safety standards, which the Commission has adopted for natural gas public utilities operating in the Commonwealth. 52 Pa. Code § 59.33(b). Accordingly, Pipeline Safety maintains exclusive jurisdiction over pipeline safety on the intrastate pipeline facilities of natural gas public utilities in Pennsylvania.

In this matter, Pipeline Safety conducted an investigation of the plastic pipe fusion, inspection, and installation practices of UGI’s contractor, SKODA Contracting (“SKODA”), at twelve projects that had been completed and put into service in and around Allentown, Bethlehem, Nazareth, and Emmaus, Pennsylvania.

On or about December 29, 2022, Pipeline Safety engineers first became aware of issue when they conducted a plastic pipeline construction inspection on the 100 Block of North Liberty Street in Nazareth, Pennsylvania (“Liberty Street Project”). At this project, SKODA was installing 1,200 feet of 2-inch plastic main, 1,875 feet of 4-inch plastic main, renewing twenty-six existing gas services, reconnecting nine existing gas services, and one service abandonment. During this inspection, Pipeline Safety engineers witnessed SKODA employees failing to follow UGI construction procedures during the installation of plastic main.

On January 3, 2023, UGI and SKODA met with Pipeline Safety engineers on site of the Liberty Street Project, and UGI directed SKODA to perform five integrity inspections at various locations along the project to verify that UGI construction procedures had been followed. The five integrity inspections on the Liberty Street Project exposed thirteen (13) butt fusion joints. Five of the thirteen exposed butt fusion joints failed visual inspection. Those five butt fusion joints were cut out and sent for destructive testing. The issues found on the Liberty Street Project were linked to a particular Foreman and Laborer employed by SKODA. UGI has since ensured that the identified Foreman and Laborer are no longer permitted to perform work on UGI's system.

On January 25, 2023, UGI reported to I&E's Pipeline Safety Division that five of the butt fusion joints failed visual inspection, one of those joints failed destructive testing, and that UGI would be replacing all the fusion joints on the Liberty Street Project. Importantly, the Liberty Street Project had not been placed into service prior to the discovery of the visually unacceptable fusions. On April 19, 2023, UGI finished replacing the entirety of the pipeline on the Liberty Street Project.

From March 2023 through July 2025, UGI expanded their integrity inspections by conducting investigative digs at twelve (12) other projects, on which the same SKODA Foreman and Laborer, as the Liberty Street Project, were involved in during 2022. UGI began remediation of discovered issues in April 2023. In total, UGI investigated 273 facilities across those twelve projects. The integrity inspections of the twelve projects discovered twenty-seven (27) butt fusion joints and twenty-five (25) electrofusion joints that failed visual inspection and failures to follow UGI's construction procedures. The butt fusion and electrofusion joints failed visual inspection for reasons that included inconsistent

bead size, gouge size outside the tolerance, misalignment, visible wire, gap between stab depth mark and coupling, and lack of stab depth marks. UGI has cut out and remediated all plastic fusion joints that were found to be visually unacceptable.

It is the twenty-seven (27) butt fusions and twenty-five (25) electrofusion joints, discovered between March 2023 and July 2025, that formed the basis for I&E's allegations. The crux of I&E's allegations is that UGI, through its contractor, failed to follow its procedures by having inspected, installed, and placed into service fifty-two (52) fusions that were not visually acceptable according to UGI procedures. Had this matter been fully litigated rather than resolved through this Settlement, I&E would have proffered evidence and legal argument that UGI violated certain provisions of the Public Utility Code, Commission regulations, and/or Code of Federal Regulations in that:

- a. UGI operated a segment of pipeline that was not designed, installed, constructed, initially inspected, and/or initially tested in accordance with Part 192 of Title 49 of the Code of Federal Regulations or UGI's procedures, a violation of 49 CFR § 192.13(a) (General Requirements);
- b. UGI installed no less than 27 butt fusion joints that were not made in accordance with its procedures and failed to follow GOM 25.10.10, in that UGI allowed the installation of butt fusion joints that were questionable and visually unacceptable due to misalignment, inconsistent beads, and improper groove depth a violation of 49 CFR § 192.13(c) (General Requirements), 49 CFR § 192.303 (Compliance with specifications and standards), and 49 CFR § 192.273(b) (Joining of Materials Other Than by Welding – General);
- c. UGI installed no less than 25 electrofusion coupling joints that were not made in accordance with its procedures and failed to follow GOM 25.10.30, in that UGI allowed the installation of electrofusion coupling joints that were questionable and visually unacceptable due to misalignment, improper insertion depth, lack of insertion depth marks, and visible wires a violation of 49 CFR § 192.13(c) (General Requirements), 49 CFR § 192.303 (Compliance with specifications and standards), and 49 CFR § 192.273(b) (Joining of Materials Other Than by Welding - General);

- d. UGI failed to inspect no less than 27 visually unacceptable butt fusions to ensure compliance with Subpart F of Part 192 in Title 49 and failed to inspect the visually unacceptable butt fusions as required by procedures GOM 25.10.10 and GOM 30.10.20 a violation of 49 CFR § 192.13(c) (General Requirements), 49 CFR § 192.303 (Compliance with specifications and standards), and 49 CFR §§ 192.273(c) (Joining of Materials Other than by Welding – General);
- e. UGI failed to inspect no less than 25 visually unacceptable electrofusion couplings to ensure compliance with Subpart F of Part 192 in Title 49 and failed to inspect the visually unacceptable electrofusion couplings as required by procedures GOM 25.10.30 and GOM 30.10.20 a violation of 49 CFR § 192.13(c) (General Requirements), 49 CFR § 192.303 (Compliance with specifications and standards), and 49 CFR §§ 192.273(c) (Joining of Materials Other than by Welding – General); and
- f. UGI failed to furnish and maintain adequate, efficient, safe and reasonable service and facilities and make such repairs, changes, alterations, substitutions, extensions and improvements in or to its service and facilities necessary or proper for the accommodation and safety of its customers, employees and the public, thereby placing the safety of its customers, employees and the public in danger a violation of 66 Pa.C.S. § 1501 (Character of Service and Facilities).

The Parties filed a Joint Petition for Approval of Settlement in the instant matter resolving all issues between I&E and UGI. This Statement in Support is submitted in conjunction with this Settlement Agreement.

II. The Public Interest

Pursuant to the Commission's policy of encouraging settlements that are reasonable and in the public interest, the Parties held a series of settlement discussions. These discussions culminated in this Settlement Agreement, which, once approved, will resolve all issues related to I&E's informal investigation. UGI has been cooperative with I&E related to identifying policies and procedures, facilities, and training that can be further improved to assist UGI in enhancing the safety and reliability of service and to satisfy the commitments

that I&E has required in the settlement process. The Settlement, if approved, will provide substantial public benefits including improved data collection, improved construction and inspection practices, increasing UGI's knowledge of its system, and improved ability to identify, react to, and remediate poor construction practices.

Had this matter been fully litigated rather than resolved through this Settlement, I&E would have proffered evidence and legal argument that UGI violated Public Utility Code, Commission regulations, and/or Code of Federal Regulations, and which UGI would have disputed. This Settlement Agreement results from the compromises of the Parties. I&E recognizes that, given the inherent unpredictability of the outcome of a contested proceeding, the benefits to amicably resolving the disputed issues through settlement outweigh the risks and expenditures of litigation. I&E submits that the Settlement constitutes a reasonable compromise of the issues presented and is in the public interest as it provides for a number of relevant corrective measures, as well as a civil penalty. As such, I&E respectfully requests that the Commission approve the Settlement without modification.

III. Terms of Settlement

Under the terms of the Settlement Agreement, I&E and UGI have agreed to a civil penalty and extensive remedial measures which enhance safety and directly respond to the allegations raised by I&E. A summary of the remedial measures are as follows:

1. UGI will pay a civil penalty of One-Hundred-Fifty Thousand Dollars (\$150,000.00), which will not be tax deductible or recovered in any future rate making proceeding (Paragraph 68(A));
2. UGI may not recover the costs to investigate, inspect, and remediate the projects, identified in the Settlement, performed by SKODA in 2022 (Paragraph 68(B));

3. UGI is not prohibited from seeking recovery of the costs it may incur to implement any of the identified remedial actions taken since the occurrence of the incident (Paragraph 68(C));
4. UGI revised its procedures requiring that “all failed/leaking PE pipe and fitting materials that have been removed from service must be submitted to the Standards & Materials Department (to the UGI Learning Center)” and UGI will notify Pipeline Safety of fusion failures within one business day (Paragraph 68(D));
5. UGI maintains a material failure database that includes post-construction pressure testing and in-service fusion failure data. UGI will require, the removal of an individual operator’s plastic joining operator qualification (“OQ”) when a fusion performed by an individual operator fails a post-construction pressure test. UGI will update its procedures to ensure appropriate documentation is captured for post construction pressure test and in-service fusion failures. UGI will maintain this data and make it available for Pipeline Safety’s inspection (Paragraph 68(E));
6. UGI has a process to ensure that butt-fusion failures identified during post-construction pressure testing and while in-service are investigated and remediated. UGI has a process in place to expand the scope of investigation of such failures. UGI incorporates in-service fusion failures into its existing and new probabilistic risk models through leak attribution data.

UGI will continue to mature its quality assurance (“QA”) processes to ensure that (1) in-service fusion failures are appropriately analyzed; and (2) integrity concerns are fully investigated and remediated when necessary. Following an in-service fusion failure, UGI will continue its existing QA processes to ensure that plastic joining issues are investigated by UGI Gas’s subject matter experts (“SMEs”). UGI will continue its robust fusion reporting to the Commission’s Pipeline Safety Division that exceeds all federal regulations under 49 C.F.R. Part 192. Pipeline Safety Division will be able to examine UGI’s investigation and remediation efforts for each in-service fusion failure.

UGI will integrate the results and findings of its fusion investigations into its Distribution Integrity Management Program (DIMP). The DIMP will be enhanced to document, analyze, and trend the data, which will help identify fusion failure trends related to (e.g., construction practices, pipe sizes, pressures, locations) to understand and mitigate potential fusion risks on the distribution system (Paragraph 68(F));

7. UGI, using its new asset data collection (“ADC”) system, will require GPS data be collected, where possible, for all new plastic fusions installed within its distribution system, improving UGI’s ability to locate the fusion. UGI will enhance its procedures to clarify expectations for collecting GPS data for fusions and will ensure employees are made aware of this procedural enhancement (Paragraph 68(G));
8. UGI, using its new ADC system, will collect the following information regarding new fusion installations: (i) Installation Date; (ii) Fuser(s) Qualification Date; (iii) Fuser Identification; (iv) Fusion Type; (v) Fusion Equipment Model Type, Fusion Equipment Serial #; (vi) UGI Contactor Name, if applicable; (vii) Butt-Fusion Heater Plate Temperature, if applicable; (viii) Fusion Pressure; (ix) Fusion Time; (x) Heater Pressure; and other attributes. UGI will explore and pilot new technologies that can further streamline fusion installation data collection through available technology (Paragraph 68(H)).
9. UGI has enhanced its procedures to more closely align with the intent and principles of API RP 1173; specifically, sections five through nine. (Paragraph 68(I)).

In consideration of UGI’s payment of a civil penalty and numerous remedial measures, I&E agrees that it has released UGI from all past claims that were or could have been made for monetary and/or other relief based on the violations alleged by I&E in the Settlement.

IV. Legal Standard for Settlement Agreements

Commission policy promotes settlements. *See* 52 Pa. Code § 5.231. Settlements lessen the time and expense that the Parties must expend on litigating a case and conserve precious administrative resources. Settlement results are often preferable to those achieved at the conclusion of a fully litigated proceeding. “The focus of inquiry for determining whether a proposed settlement should be recommended for approval is not a ‘burden of proof’ standard, as is utilized for contested matters.” *Pa. Pub. Util. Comm’n, et al. v. City of Lancaster – Bureau of Water*, Docket Nos. R-2010-2179103, *et al.* (Order entered

July 14, 2011) at p. 11. Instead, the benchmark for determining the acceptability of a settlement is whether the proposed terms and conditions are in the public interest. *Pa. Pub. Util. Comm’n v. Philadelphia Gas Works*, Docket No. M- 00031768 (Order entered January 7, 2004).

I&E submits that approval of the Settlement Agreement in the above-captioned matter is consistent with the Commission’s Policy Statement regarding *Factors and Standards for Evaluating Litigated and Settled Proceedings Involving Violations of the Public Utility Code and Commission Regulations* (“Policy Statement”), 52 Pa. Code § 69.1201; *See also Joseph A. Rosi v. Bell-Atlantic-Pennsylvania, Inc.*, Docket No. C- 00992409 (Order entered March 16, 2000). The Commission’s Policy Statement sets forth ten (10) factors that the Commission may consider in evaluating whether a civil penalty for violating a Commission order, regulation, or statute is appropriate, as well as whether a proposed settlement for a violation is reasonable and in the public interest. 52 Pa. Code § 69.1201.

The Commission will not apply the factors as strictly in settled cases as in litigated cases. 52 Pa. Code § 69.1201(b). While many of the same factors may still be considered, in settled cases, the Parties “will be afforded flexibility in reaching amicable resolutions to complaints and other matters as long as the settlement is in the public interest.” *Id.*

The first factor considers whether the conduct at issue was of a serious nature, such as willful fraud or misrepresentation, or if the conduct was less egregious, such as an administrative or technical error. Conduct of a more serious nature may warrant a higher civil penalty while conduct that is less egregious warrants a lower amount. 52 Pa. Code § 69.1201(c)(1). I&E submits that the conduct alleged in the Complaint does not rise to the level of willful fraud or misrepresentation but is of a more serious nature than a mere

administrative error. I&E alleges that UGI, through its contractor, SKODA, installed and placed into service fifty-two fusions that were visually unacceptable per UGI procedures. It is important to note that UGI has cut out and remediated all plastic fusion joints that were found to be visually unacceptable and the alleged conduct did not result in any gas leaks, explosions, fires, or injuries.

I&E submits that any conduct involving the fusion and installation of plastic natural gas pipelines should be taken seriously due to the inherent danger involved if such pipelines should leak, rupture, or otherwise fail. While no harm resulted in this case, it is I&E's position that plastic fusion visual acceptability standards should be diligently adhered to, to ensure the best possible outcomes. Further, the actions and inactions of UGI constitute conduct that placed the public safety at risk, and therefore, I&E submits that the civil penalty is warranted in this case. The seriousness of the conduct at issue is addressed in the corrective measures that the Company has already taken and will take, as well as the payment of the agreed-upon civil penalty and the agreement to forgo seeking recovery of the costs associated with the plastic fusion investigations and subsequent remediations for the projects identified in the Settlement.

The second factor considers whether the resulting consequences of UGI's alleged conduct were of a serious nature. When consequences of a serious nature are involved, such as personal injury or property damage, the consequences may warrant a higher penalty. 52 Pa. Code § 69.1201(c)(2). In this case, there were no fatalities, injuries, property damage, or natural gas explosions. As I&E has alleged, UGI's failure to identify visually unacceptable fusions and permitting those fusions to be placed into service, represented a threat to public safety.

The agreed-upon civil penalty and remedial measures of the Settlement acknowledge that serious consequences could have occurred and are designed to further enhance the safety of UGI service and facilities, especially as it pertains to improved data collection, improved construction and inspection practices, increasing UGI's knowledge of its system, and improved ability to identify, react to, and remediate poor construction practices.

The third factor to be considered under the Policy Statement is whether the alleged conduct was intentional or negligent. 52 Pa. Code § 69.1201(c)(3). "This factor may only be considered in evaluating litigated cases." *Id.* Whether UGI's alleged conduct was intentional or negligent does not apply since this matter is being resolved by settlement of the Parties.

The fourth factor to be considered is whether UGI has made efforts to change its practices and procedures to prevent similar conduct in the future. 52 Pa. Code § 69.1201(c)(4). In response to this incident, UGI has engaged in and agreed to take appropriate measures to correct the conduct at issue and prevent similar future conduct. It is clear that UGI has made and will continue to make substantial efforts to prevent similar conduct such as what has happened in this case going forward. Importantly, those efforts include: (1) updating procedures to ensure appropriate data capture and maintaining the data collected; (2) incorporating fusion failures into its probabilistic risk models; (3) integrating the results and findings of fusion investigations into its DIMP; (4) improving its DIMP to help identify potential fusion risks on its system; (5) improving procedures related to data collection and GPS capture for the purpose of improving its ability to locate fusions; (6) collect extensive information on fusion installations; and (7) enhancing its procedures to more closely align with the intent and principles of API RP 1173.

Each of the remedial actions and commitments described at Paragraph 68 of the Settlement Agreement address the alleged conduct at issue and are designed to prevent a similar incident from occurring again. Notably, these actions will place UGI in a better position to oversee the construction and maintenance of its facilities, improve its quality control, and reduce risk in its existing and future facilities. The remedial actions demonstrate that UGI is taking appropriate actions to enhance the safety of its distribution system, improve the reliability of its operations, and prevent similar occurrences in the future. These improvements will provide a significant benefit to public safety.

The fifth factor to be considered relates to the number of customers affected by the Company's actions and the duration of the violations. 52 Pa. Code § 69.1201(c)(5). In this matter, there is no evidence that customers suffered adverse consequences such as loss of service or property damage. The violations began at the time of the construction projects went into service and continued until the time UGI remediated the issues, beginning in April 2023 and continuing through 2025. UGI has since remediated all fusions that were found to be visually unacceptable.

The sixth factor to be considered relates to the compliance history of UGI. 52 Pa. Code § 69.1201(c)(6). An isolated incident from an otherwise compliant company may result in a lower penalty, whereas frequent, recurrent violations by a company may result in a higher penalty. *Id.* UGI has had a history of compliance issues, but those issues are largely concentrated 10 or more years ago, in a two year time span between 2012 and 2014. In that time span, there were five settlements entered into based on UGI's failure to follow the Code, Commission regulations, or the Code of Federal Regulations.

In *Pa. PUC, Bureau of Investigation and Enforcement v. UGI Utilities, Inc.*, Docket No. C-2012-2308997 (Order entered February 19, 2013) (UGI paid a civil penalty in the amount of \$500,000 in connection with a natural gas explosion that occurred in Allentown on February 9, 2011, and resulted in the deaths of five individuals in two residences, an injury to another individual, and destruction and significant damage to six other residences. The explosion was caused by a circumferential crack in a twelve-inch cast iron main. The allegations included the following: (1) failure to timely replace cast iron piping systems in the Allentown area; (2) failure to maintain an odorant sampling program to demonstrate that adequate odorant concentrations are consistently present throughout its distribution system; (3) failure to properly perform post-incident odorant testing; (4) failure to monitor and react to forces that may have detrimentally affected the integrity of the cast iron main; (5) failure to promptly close the curb valves to the residences that were located in the same row as the homes destroyed by the explosion; and (6) failure to promptly and effectively respond to the explosion in that it took five hours to diminish the flow of gas.

In *Pa. PUC, Bureau of Investigation and Enforcement v. UGI Utilities, Inc.*, Docket No. C-2012-2295974 (Order entered March 29, 2013) the Commission approved a settlement agreement wherein UGI Utilities agreed to pay a civil penalty of \$200,000 in connection with a natural gas explosion that occurred on October 31, 2011, in Millersville, PA, and caused property damage estimated at \$425,000, but no injuries or fatalities. The Complaint at this docket alleged that UGI mismarked its underground facilities by approximately forty inches, failed to have procedures in place to locate lines when there are no facility maps, to have appropriate measures in place to address damage prevention, to timely inspect a shut-

off valve, and to shut down the gas line in a timely manner, all of which either contributed to or caused the resultant explosion.

In *Pa. PUC, Bureau of Investigation and Enforcement v. UGI Utilities, Inc.*, Docket No. C-2012-2336185 (Certificate of Satisfaction entered April 10, 2013), UGI paid in full the \$50,000 civil penalty sought in the complaint and performed all remedial actions sought in the complaint. The complaint at this docket alleged that UGI struck its own gas line during excavation activities and failed to follow or have established emergency procedures.

In *Pa. PUC, Bureau of Investigation and Enforcement v. UGI Penn Natural Gas, Inc.*, Docket No. M-2013-2338981 (Order entered September 26, 2013) the Commission approved a settlement agreement wherein UGI Penn Natural Gas, Inc. (“UGI-PNG”) agreed to pay a civil penalty of \$1,000,000 in connection with an improper repair of a gas main in which UGI-PNG exceeded the main’s maximum allowable operating pressure by placing a clamp over the leak that was rated at a lower operating pressure. Allegations included that UGI-PNG’s leak classification, survey and management system were not in compliance with state and federal regulations.

In *Pa. PUC, Bureau of Investigation and Enforcement v. UGI Utilities, Inc. – Gas Division*, Docket No. M-2013-2313375 (Order entered April 23, 2014) the Commission approved a settlement agreement wherein UGI agreed to pay a civil penalty of \$96,000 in connection with gas ignition and a minor injury that resulted from cutting into a gas main that still had gas flow. Allegations included failure to follow its procedures and failure to classify the incident as a reportable incident. In its Opinion and Order the Commission stated: “We further acknowledge that UGI has undertaken a major organizational overhaul, which includes key management and personnel changes and changes to policies and

procedures that should enhance the safety of its distribution system and improve the reliability of its gas operations.”

At Pa. PUC, Bureau of Investigation and Enforcement v. UGI Utilities, Inc. – Gas Division, Docket No. M-2018-3005151 (Order entered October 29, 2020), the Commission approved a settlement wherein UGI agreed to pay a civil penalty of \$1,100,000 in connection with a 2017 gas explosion that resulted in one fatal injury to an employee of UGI, non-life-threatening injuries to three other individuals, and approximately \$2.2 million in damage to the surrounding properties. The Complaint alleged inadequacies in UGI’s emergency procedures that were in effect at the time of the incident and UGI failed to follow its own procedures or failed to maintain adequate procedures directed towards the prioritization of protecting life and property and eliminating hazards.

The most recent case involving UGI, can be found at *Bureau of Investigation and Enforcement v. UGI Utilities, Inc. – Gas Division*, Docket No. C-2023-3044989 (Order entered June 18, 2025). In that matter, the Commission approved a settlement wherein UGI agreed to pay a civil penalty of \$750,000 in connection with a butt fusion failure resulting in a gas release causing a hole in the roadway that led to a fatal vehicle accident. The Complaint alleged that UGI’s contractor permitted the installation of six fusions that were not visually acceptable and other violations of Federal pipeline safety regulations. It is notable and important to consider that the remedial measures agreed to and ordered at Docket No. C-2023-3044989 also go towards addressing and improving the alleged conduct in this Settlement.

The seventh factor to be considered relates to whether the Company cooperated with the Commission’s investigation. 52 Pa. Code § 69.1201(c)(7). “Facts establishing bad faith,

active concealment of violations, or attempts to interfere with Commission investigations may result in a higher penalty.” *Id.* As previously referenced, UGI cooperated with I&E’s investigation and has been cooperative with I&E related to identifying policies and procedures, facilities, and training that can be further improved to assist UGI in enhancing the safety and reliability of service and to satisfy the commitments that I&E has required in the settlement process. It should also be recognized that UGI was proactive in identifying, investigating, and remediating the fusions performed by the SKODA Foreman and Laborer and maintained open communications and transparency with Pipeline Safety during the investigation.

The eighth factor to be considered is the appropriate settlement amount necessary to deter future violations. 52 Pa. Code § 69.1201(c)(8). I&E submits that given the nature of UGI’s conduct and the lack of serious consequences, a civil penalty amount of \$150,000.00, which is not tax deductible, nor recoverable from ratepayers, is an appropriate penalty amount in this case. I&E further submits that the monetary cost of UGI’s performance of all of the remedial measures, and agreement to not seek recovery of the costs to remediate the projects performed by SKODA, is sufficient to deter UGI from committing future violations.

The ninth factor to be considered relates to past Commission decisions in similar situations. 52 Pa. Code § 69.1201(c)(9). I&E submits that the instant Settlement provides comparable or even superior relief to prior enforcement matters involving similar pipeline safety violations. The instant Settlement Agreement should be viewed on its own merits and is fair and reasonable. However, in looking at the relevant factors that are comparable to other pipeline matters involving pipeline safety violations that resulted in serious consequences, the instant Settlement is consistent with past Commission actions, in that a

substantial civil penalty will be paid and numerous, valuable corrective actions to address the alleged violations will be or have been performed.

The case that is most comparable can be found at *Pa. PUC, Bureau of Investigation and Enforcement v. Columbia Gas of Pennsylvania, Inc.*, Docket No. C-2023-3044398. At this matter, the I&E and Columbia Gas of Pennsylvania (“Columbia Gas”) filed a Joint Petition for Approval of Settlement on March 14, 2025, which is pending with the Office of Administrative Law Judge. In that case, Columbia Gas has agreed to pay a civil penalty of \$875,000 to resolve I&E’s allegations that Columbia Gas’s contractor installed 220 visually unacceptable fusions and saddle tee fusions on service lines and main lines, failed to mark, label, or sign no less than 552 fusions according to Columbia Gas Standards, allowed an unqualified contractor employee to perform and inspect plastic fusions, failed to properly install no less than 44 saddle tee taps to a gas main line, and failed to capture and maintain accurate records of the pipeline components and personnel performing work on the pipeline. The instant Settlement is comparable to the Columbia Gas matter when considering the number of visually unacceptable fusions, 52 versus 220, and the number of other violations alleged against Columbia Gas.

The tenth factor considers “other relevant factors.” 52 Pa. Code § 69.1201(c)(10). I&E submits that an additional relevant factor – whether the case was settled or litigated – is of pivotal importance to this Settlement Agreement. A settlement avoids the necessity for the governmental agency to prove elements of each allegation. In return, the opposing party in a settlement agrees to a lesser fine or penalty, or other remedial action. Both Parties negotiate from their initial litigation positions. The fines and penalties, and other remedial actions resulting from a fully litigated proceeding are difficult to predict and can differ from

those that result from a settlement. Some remedial actions agreed to in a settlement may not be obtainable if a matter is fully litigated, as is the case with this Settlement. Reasonable settlement terms can represent economic and programmatic compromise while allowing the Parties to move forward and to focus on implementing the agreed upon remedial actions and enhancing public safety.

In conclusion, I&E fully supports the terms and conditions of the Settlement Agreement. The terms of the Settlement Agreement reflect a carefully balanced compromise of the interests of the Parties in this proceeding. The Parties believe that approval of this Settlement Agreement is in the public interest. Acceptance of this Settlement Agreement in its entirety avoids the necessity of further administrative and potential appellate proceedings at what would have been a substantial cost to the Parties.

WHEREFORE, I&E supports the Settlement Agreement as being in the public interest and respectfully requests that the Commission approve the Settlement in its entirety without modification.

Respectfully submitted,



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Dated: March 20, 2026

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Investigation of UGU Utilities, Inc. –	:	
Gas Division relating to plastic pipe	:	
fusion, inspection, and installation	:	Docket No. M-2026-3051981
issues in construction projects in	:	
Allentown, Bethlehem, Nazareth, and	:	
Emmaus, Pennsylvania.	:	

**UGI UTILITIES, INC. – GAS DIVISION’S
STATEMENT IN SUPPORT OF THE SETTLEMENT**

TO THE HONORABLE PENNSYLVANIA PUBLIC UTILITY COMMISSION:

I. INTRODUCTION

UGI Utilities, Inc. – Gas Division (“UGI Gas” or the “Company”) hereby submits this Statement in Support of the Joint Petition for Approval of Settlement (“Settlement”) entered into by UGI Gas and the Pennsylvania Public Utility Commission’s (“Commission”) Bureau of Investigation and Enforcement (“I&E”). The Settlement, if approved, resolves all issues in the above-captioned proceeding, which concerned I&E’s investigation relating to plastic pipe fusion, inspection, and installation issues found between March 2023 and July 2025 in construction projects in Allentown, Bethlehem, Nazareth, and Emmaus, Pennsylvania (the “Incident”).

The Settlement reflects a carefully balanced compromise of the interests of the Joint Petitioners. As discussed in the Settlement, UGI Gas has been cooperative and proactive with I&E related to identifying and remediating identified facilities, and improving practices and procedures to enhance the safety and reliability of service. The Settlement, if approved, will provide substantial public benefits with an expansion of UGI Gas’s reporting requirements for butt-fusions of plastic pipe, expanding and enhancing its material failure reporting process as identified in American Petroleum Institute (“API”) 1173 – Pipeline Safety Management Systems (“PSMS”), mature and enhance its Quality Assurance (“QA”) processes related to butt-fusions, integrating the

results of its butt-fusion investigations into its Distribution Improvement Management Program (“DIMP”), and enhancing its data collection and capture processes among other things. For these reasons and the reasons set forth below, the Settlement is fair, just and reasonable. Therefore, the Commission should approve the Settlement without modification.

II. INTRODUCTION AND BACKGROUND

A. THE PARTIES

I&E is the entity established by statute to prosecute complaints against public utilities pursuant to 66 Pa.C.S. § 308(b). The Commission has delegated its authority to initiate proceedings that are prosecutory in nature to I&E and other bureaus with enforcement responsibilities. *Implementation of Act 129 of 2008; Organization of Bureaus and Offices*, Docket No. M-2008-2071852 (Order entered Aug. 11, 2011).

UGI Gas is a division of UGI Utilities, Inc. UGI Gas is a “public utility” and a “natural gas distribution company” (“NGDC”) as those terms are defined in 66 Pa.C.S. §§ 102 and 2022. UGI Gas provides natural gas transmission, distribution, and supplier of last resort services to approximately 660,000 customers throughout its certificated service territory in the Commonwealth of Pennsylvania subject to the regulatory jurisdiction of the Commission.

B. BACKGROUND

The background of this matter is adequately set forth in Paragraphs 11-72 of the Settlement, which are incorporated herein by reference.

III. COMMISSION POLICY FAVORS SETTLEMENT

Commission policy promotes settlements. *See* 52 Pa. Code § 5.231(a). Settlements lessen the time and expense the parties must expend litigating a case and, at the same time, conserve administrative resources. The Commission has indicated that settlement results are often preferable to those achieved at the conclusion of a fully litigated proceedings. *See* 52 Pa. Code

§ 69.401. To approve a settlement, the Commission must determine that the proposed terms and conditions are in the public interest. *Pa. P.U.C. v. Peoples TWP LLC*, Docket Nos. R-2013-23355886, et al. (Order entered Dec. 19, 2013); *Warner v. GTE North, Inc.*, Docket No. C-00902815 (Order entered Apr. 1, 1996); *Pa. P.U.C. v. C.S. Water and Sewer Assocs.*, 74 Pa. P.U.C. 767, 771 (1991); *see also Pa. P.U.C. v. Peoples Natural Gas Company LLC*, Docket No. M-2025-3052089 (Opinion and Order entered Dec. 18, 2025).

Furthermore, when evaluating litigated and settled proceedings involving alleged violations of the Public Utility Code and the Commission's regulations, the Commission considers a series of factors and standards to determine whether the civil penalty is adequate. Those factors and standards are the following:

- (1) Whether the conduct at issue was of a serious nature. When conduct of a serious nature is involved, such as willful fraud or misrepresentation, the conduct may warrant a higher penalty. When the conduct is less egregious, such as administrative filing or technical errors, it may warrant a lower penalty.
- (2) Whether the resulting consequences of the conduct at issue were of a serious nature. When consequences of a serious nature are involved, such as personal injury or property damage, the consequences may warrant a higher penalty.
- (3) Whether the conduct at issue was deemed intentional or negligent. This factor may only be considered in evaluating litigated cases. When conduct has been deemed intentional, the conduct may result in a higher penalty.
- (4) Whether the regulated entity made efforts to modify internal practices and procedures to address the conduct at issue and prevent similar conduct in the future. These modifications may include activities such as training and improving company techniques and supervision. The amount of time it took the utility to correct the conduct once it was discovered and the involvement of top-level management in correcting the conduct may be considered.

- (5) The number of customers affected and the duration of the violation.
- (6) The compliance history of the regulated entity which committed the violation. An isolated incident from an otherwise compliant utility may result in a lower penalty, whereas frequent, recurrent violations by a utility may result in a higher penalty.
- (7) Whether the regulated entity cooperated with the Commission's investigation. Facts establishing bad faith, active concealment of violations, or attempts to interfere with Commission investigations may result in a higher penalty.
- (8) The amount of the civil penalty or fine necessary to deter future violations. The size of the utility may be considered to determine an appropriate penalty amount.
- (9) Past Commission decisions in similar situations.
- (10) Other relevant factors.

52 Pa. Code § 69.1201(c)(1)-(10). The Commission will not apply the standards as strictly in settled cases as in litigated cases. 52 Pa. Code § 69.1201(b). While many of the same factors may still be considered, in settled cases the parties “will be afforded flexibility in reaching amicable resolutions to complaints and other matters so long as the settlement is in the public interest.” 52 Pa. Code § 69.1201(b).

The substantial public benefits of the Settlement, as well as the ten factors that the Commission considers in reviewing a settlement of an alleged violation, are addressed in the section that follows. For the reasons set forth in this Statement in Support, UGI Gas believes that the Settlement is just and reasonable and is in the public interest. Therefore, the Settlement should be approved without modification.

IV. THE SETTLEMENT IS IN THE PUBLIC INTEREST

A. SUMMARY

The Settlement, once approved, will resolve all issues related to I&E’s investigation of plastic pipe fusion, inspection, and installation issues found between March 2023 and July 2025 in construction projects in Allentown, Bethlehem, Nazareth, and Emmaus, Pennsylvania.

Throughout the investigatory and settlement processes in this proceeding, UGI Gas has been cooperative and proactive with I&E during its investigatory process. During the investigatory process, UGI Gas fully complied with I&E’s requests for information and documentation and timely provided I&E with records, correspondence, and other documents as requested by I&E. (Settlement ¶ 76.) In addition, UGI Gas regularly apprised I&E of its progress remediating the identified fusion joints. (Settlement ¶ 76.) Finally, UGI Gas notes that the remediation work was performed by its contractor without additional cost to UGI Gas. (Settlement ¶ 76.)

UGI Gas has also made a substantial economic concession to I&E in the form of a substantial civil penalty. (Settlement ¶ 81.A.) The amount of the penalty and the terms and conditions of the Settlement favorably align with the ten factors that may be considered under the Commission’s Policy Statement at 52 Pa. Code § 69.1201(c).

Further, as stated in Paragraph 84 of the Settlement, I&E has agreed that the Settlement is in the public interest, as it “effectively addresses I&E’s allegations,” and “avoids the time and expense of further litigation, which entails hearings, travel for out-of-state witnesses, and the preparation and filing of briefs, exceptions, reply exceptions, as well as possible appeals.” (Settlement ¶ 84.) In exchange for stipulating to these terms and conditions, I&E has agreed to conclude its investigation and not institute any Formal Complaint related to these issues. (See Settlement ¶ 82.)

For these reasons and as more fully explained below, the Commission should approve the Settlement without modification because the Settlement's terms and conditions are just and reasonable and in the public interest.

B. DESCRIPTION OF THE SETTLEMENT TERMS

Under Paragraph 81.A of the Settlement, UGI Gas will pay a civil penalty of \$150,000. (Settlement ¶ 81.A.) "The civil penalty shall not be tax deductible pursuant to Section 162(f) of the Internal Revenue Code, 26 U.S.C.S. § 162(f)" and "UGI will not seek recovery of any portion of any agreed upon total civil penalty amount in any future ratemaking proceeding." (Settlement ¶ 81.A.) UGI Gas's payment of this civil penalty will "be made within thirty (30) days of the date of the Commission's Final Order approving the Settlement Agreement and shall be made by certified check or money order made payable to the 'Commonwealth of Pennsylvania' and sent to: Matthew Homsher, Secretary Pennsylvania Public Utility Commission Commonwealth Keystone Building 400 North Street Harrisburg, PA 17120." (Settlement ¶ 81.A.)

UGI Gas fully acknowledges that gas safety is a significant issue, and one that UGI Gas values. The agreed-upon civil penalty amount reflects both the seriousness of I&E's investigation of the practices and improper completion of plastic fusions by a specific Foreman and Laborer employed by a specific UGI Gas contractor, balanced against the Company's: (1) cooperation with I&E's investigation; (2) prohibition of the specific Foreman and Laborer from performing any further work on UGI Gas's system; and (3) the Company's steps to address safety issues facing the subject facilities and other corrective actions applicable to those facilities and the Company's operations more broadly.

In fact, a number of the provisions reflect UGI Gas's voluntary actions taken after and/or in response to the incident, including:

- With respect to SKODA Contracting (“SKODA”), the Company (a) conducted a thorough investigation to identify the specific Foreman and Laborer employed by SKODA that were responsible for the visually unacceptable fusions, (b) terminated the ability of the specific Foreman and Laborer employed by SKODA to perform any further work on the UGI Gas system, (c) required SKODA to perform all work to remove and replace all identified visually unacceptable fusions at no further cost to UGI Gas, and (d) ensured that all visually unacceptable fusions identified as a result of this investigation were removed from service and replaced. (*See Settlement ¶¶ 11-61.*)
- With respect to its **Butt Fusion Reporting Requirements**, the Company has “required notification to the Commission’s Pipeline Safety Division when a plastic fusion leak/failure occurs. UGI Gas also issued a revision to Gas Operating Manual (“GOM”) 60.70.10 – Reporting and Investigating Material Failures on December 20, 2023, reinforcing that “all failed/leaking PE pipe and fitting materials that have been removed from service must be submitted to the Standards & Materials Department (to the UGI Learning Center).” The Company will maintain this notification practice going forward. (Settlement ¶ 81.D.)
- With respect to its **Post-Construction Pressure Testing / In-Service Fusion Failure Database**, UGI Gas “maintains a material failure database that includes post-construction pressure testing and in-service fusion failure data” and also “requires . . . the removal of an individual operator’s plastic joining operator qualification . . . when a fusion performed by an individual operator fails a post-construction pressure test.” (Settlement ¶ 81.E.)
- Regarding its **Fusion Failure Investigation and Integrity Analysis**, UGI Gas “has processes in place to ensure that butt-fusion failures identified during post-construction pressure testing and while in-service . . . are investigated and remediated; where necessary, UGI Gas also has processes in place to expand the scope of investigation of such failures.” (Settlement ¶ 81.F.)
- With respect to its **GPS Fusion Capture**, UGI Gas has implemented “a new asset data collection (“ADC”) system, enhancing and streamlining field data collection regarding UGI Gas’s distribution system” that allows UGI Gas . . . The ADC system enables UGI “to collect GPS data for every fusion installed.” (Settlement ¶ 81.G; *see also* Settlement ¶ 81.H.)
- With respect to its **API RP 1173 – PSMS Enhancements**, UGI Gas has integrated and will continue to integrate “API RP 1173’s concepts into its internal processes, such as the design, oversight, and governance of fusion procedures” in order to “strengthen safety, quality, and operational consistency.” (Settlement ¶ 81.I.) In addition, the Settlement identifies several enhancements regarding the lifecycle of plastic joining that have been made by the Company through its incorporation of API RP 1173 Section 5: Risk Management, API RP 1173 Section 6: Operations Controls, API RP 1173 Section 7: Incident Investigation & Lessons Learned, API RP 1173 Section 8: Safety Assurance, and API RP 1173 Section 9: Management Review and Continuous Improvement.

The actions already implemented by UGI Gas, which are memorialized in the Settlement, demonstrate UGI Gas’s cooperation with I&E, the seriousness with which it responded to the Incident, and its efforts outside of this investigation to continuously improve its safety and reliability of service.

The Settlement also contains a number of commitments by UGI Gas to further enhance its policies, procedures, and training, beyond what it has already done, in order to address the concerns raised by I&E in its investigation. These additional enhancements include:

- With respect to its **Post-Construction Pressure Testing / In-Service Fusion Failure Database**, UGI Gas has agreed to “enhance its material failure reporting process to ensure all pertinent information related to a fusion failure is documented, including, but not limited to, the type of fusion, location of failure, the operator(s) who completed the failed fusion, size of fusion, operating pressure, and root cause of failure (if feasible),” and to also update GOM 60.70.10 – Reporting and Investigating Material Failures as necessary to ensure appropriate documentation is captured for post construction pressure test and in-service fusion failures. (Settlement ¶ 81.E.)
- Regarding its **Fusion Failure Investigation and Integrity Analysis**, UGI Gas will “continue to mature its quality assurance (“QA”) processes to ensure that (1) in-service fusion failures are appropriately analyzed; and (2) integrity concerns are fully investigated and remediated when necessary.” (Settlement ¶ 81.F.) UGI Gas has relatedly agreed to integrate the results and findings of its fusion failure investigations conducted as a result of its QA processes into its DIMP, which will help identify fusion failure trends (e.g., construction practices, pipe sizes, pressures, locations) to understand and mitigate potential fusion risks on the distribution system. (Settlement ¶ 81.F.)
- With respect to its **GPS Fusion Capture**, UGI Gas has agreed that, within 12 months of a Commission order approving the Settlement, it will “enhance its procedures to clarify expectations for collecting GPS data for fusions,” and “issue a technical advisory bulletin ensuring employees are made aware of this procedural enhancement. (Settlement ¶ 81.G.)
- With respect to **Enhanced Data Collection**, UGI Gas has agreed that it will “explore and pilot new technologies that can further streamline fusion installation data collection through available technology,” and “to meet with the Commission’s Pipeline Safety Division regarding the feasibility of Datalogging technologies and discuss its potential use at the Company.” (Settlement ¶ 81.H.)

These further commitments to enhance and improve UGI Gas’s safety not only address the concerns raised in I&E’s complaint, but also have broader applicability to enhance its policies,

procedures and training with respect to the installation and inspection of plastic pipe across UGI Gas's service territory. UGI Gas further notes that these commitments are consistent with the spirit of continuous improvement identified by API RP 1173.

Importantly, as discussed in Paragraph 90 of the Settlement, the Parties agree that UGI Gas has made no concession or admission of fact or law and may dispute all issues of fact and law for all purposes in any other proceeding, including but not limited to any civil proceedings, that may arise as a result of the circumstances described in the Settlement.

C. PUBLIC BENEFITS

If approved, the Settlement will provide benefits to the customers and communities served by UGI Gas, including a variety of enhancements and modifications to its policies, procedures and training related to the completion of fusions of plastic pipe. As explained above and in the Settlement, UGI Gas has voluntarily adopted several changes to its policies, procedures, and training to further enhance the safety and reliability of its service. Further modifications and enhancements are set forth in, and required by, the Settlement. These commitments to enhance the safety and reliability of UGI Gas's service benefit the public.

D. FACTORS UNDER THE COMMISSION'S POLICY STATEMENT

Under the Policy Statement, the Commission considers certain factors when evaluating whether a proposed settlement is in the public interest. 52 Pa. Code §69.1201(c). The Commission uses these factors and standards in determining if a fine for violating a regulation or statute is appropriate, as well as if a proposed settlement is reasonable and in the public interest. *Id.* UGI Gas is confident that the settlement adequately satisfies all of those relevant factors, discussed below.

The first factor considers whether the conduct at issue was of a serious nature and if so, whether the conduct may warrant a higher penalty. The alleged conduct in this case involves the

installation, fusion and inspection of plastic pipe a specific Foreman and Laborer of a specific contractor retained and trained by UGI Gas to complete the same. UGI Gas specifically notes that the fusions performed by the identified SKODA Foreman and Laborer did not cause or contribute to any injury to persons or damage to property, and that it thoroughly investigated, identified, and removed and replaced all identified visually unacceptable fusions performed by the SKODA Foreman and Laborer. While the Company did not engage in willful fraud or misrepresentation that may warrant a higher civil penalty, *see id.* § 69.1201(c)(1), UGI Gas acknowledges that gas safety is a significant issue and one that UGI Gas values. The terms and conditions of the Settlement, including the civil penalty, take the alleged conduct into account.

The second factor considers the seriousness of the consequences of the incident at issue. *See* 52 Pa. Code § 69.1201(c)(2). UGI Gas believes and maintains that its contractors received appropriate training to follow UGI Gas's standards and procedures including GOM 25.10.10 and GOM 25.10.30, to monitor and inspect the construction of the subject pipeline facilities to confirm such facilities were constructed in compliance with UGI Gas's standards and procedures, including GOM 25.10.10 and GOM 25.10.30, and that its training, standards and procedures should have been followed. Unfortunately, the Company's contractors failed to follow UGI Gas's training and its standards and procedures necessary to appropriately monitor and inspect the construction of the subject pipeline facilities. Fortunately, however, the investigation of the Incident avoided serious consequences from occurring. Indeed, UGI Gas promptly responded to the Incident in a serious manner that has prioritized and will continue to prioritize correcting and enhancing the safety and reliability of its service. The terms and conditions of the Settlement, including the civil penalty, take seriousness of the consequences into account.

The third factor considers whether UGI Gas's alleged conduct was deemed intentional or negligent. 52 Pa. Code § 69.1201(c)(3). However, this factor does not apply in this case because

it is not a litigated proceeding. To the extent this factor is to be considered, there has been no such finding as is normal in a matter that is being fully resolved through a negotiated settlement.

The fourth factor asks whether UGI Gas made efforts to modify internal policies and procedures to address the alleged conduct at issue and to prevent similar conduct in the future. 52 Pa. Code § 69.1201(c)(4). As described above and in the Settlement, UGI Gas undertook an extensive investigation of the Incident and additional work performed by the identified SKODA Foreman and Laborer, and required SKODA to remove and replace all non-compliant fusions at no additional cost to UGI Gas. UGI Gas fully cooperated with and assisted I&E with its investigation of the incident. Moreover, as outlined above and in the Settlement, UGI Gas proactively adopted several changes to its training, policies and procedures to further enhance the safety and reliability of its service. The Settlement memorializes these actions and also contains additional modifications and enhancements that UGI Gas will implement as a part of the resolution of this case. Therefore, the terms and conditions of the Settlement adequately take into account UGI Gas's efforts to modify and adopt internal policies and procedures to address the alleged conduct.

Fifth, the Commission considers the number of customers affected and the duration of the violation. In this case, no natural gas release occurred, and no injuries to persons or damages to property occurred. The terms and conditions of the Settlement adequately consider the serious nature of the incident, the customers affected, as well as UGI Gas's response.

The sixth factor considered is the compliance history of UGI Gas. 52 Pa. Code § 69.1201(c)(7). UGI Gas has strived to continuously improve its training, policies and procedures related to the installation and inspection of pipeline facilities by its contractors. In addition, UGI Gas aims to prioritize and remove risky pipe from its system. The commitments in this Settlement to further enhance its training, policies and procedures—including its fusion failure investigation

and reporting processes, and enhanced data collection and integration practices—as well as its commitment to remove and replace visually unacceptable fusions evidences a resolve to continue to invest substantial time and resources to enhance the safety and reliability of its system.

Seventh, UGI Gas fully cooperated with I&E’s investigation. 52 Pa. Code § 69.1201(c)(7). The Company never engaged in bad faith, active concealment of violations, or attempts to interfere with I&E’s investigation. Moreover, UGI Gas “fully complied with I&E’s requests for information and documentation and timely provided I&E with records, correspondence, and other documents as requested by I&E.” (*See* Settlement ¶ 76.) The Company has also committed to continue to provide enhanced reporting and periodic updates to I&E on a number of enhancements and corrective measures as a part of the Settlement. UGI Gas demonstrated a commitment consistent with the Commission’s public safety goals and objectives throughout the investigation, in response to the incident, and as a part of the Settlement.

Eighth, the amount of the agreed-upon \$150,000 civil penalty is substantial and will carry substantial deterrent weight. *See* 52 Pa. Code § 69.1201(c)(8). UGI Gas believes that the civil penalty set forth in the Settlement appropriately recognizes the seriousness of the matter but also reflects a negotiated compromise by the parties that considers the Company’s efforts since the incident occurred.

The ninth factor evaluates past Commission decisions in similar situations. *See* 52 Pa. Code § 69.1201(c)(9). When all relevant factors are taken into account, the Settlement is not inconsistent with past Commission actions. Moreover, as a settled matter, this Settlement should be considered on its own merits.

Finally, relative to the tenth factor, UGI Gas submits that additional relevant factors are of pivotal importance to the Settlement. A settlement avoids the need for the prosecuting agency to prove elements of each allegation. In return, the opposing party in a settlement agrees to a lesser

fine or penalty, or other remedial action. Both parties negotiate from their initial positions. The fines, penalties, and other remediation actions resulting from a fully-litigated proceeding are difficult to predict and can differ from those that result from a settlement. Reasonable settlement terms can represent economic and programmatic compromise but allow the parties to move forward to focus on implementing the agreed upon remedial actions. UGI Gas has demonstrated that it is committed to the Commission's public safety goals and objectives, and broadly expanded the scope of the general public that will benefit from the commitments made in this Settlement.

Based on the foregoing, the Settlement should be considered just and reasonable and in the public interest, and the Commission should approve it without modification.

V. CONCLUSION

WHEREFORE, for the reasons explained above, and those set forth in the Settlement, the terms and conditions of the Settlement are just and reasonable and in the public interest, and the Pennsylvania Public Utility Commission should approve the Settlement without modification.

Respectfully submitted,



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Date: March 20, 2026

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