

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

Public Meeting held July 16, 2026

Commissioners Present:

Stephen M. DeFrank, Chairman
Kimberly Barrow, Vice Chair
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

ERRATA NOTICE

This is to advise all parties of record that the Opinion and Order entered on July 16, 2026, in the above-captioned proceeding, contains numerous numbering and alphabetical errors on pages 2-25 of the Attachment – Joint Petition for Approval of Settlement (Non-Proprietary Version) (Settlement).

On page 2 of the Settlement, the numbering paragraphs under the inadvertently starts at ¶ 2 instead of ¶ 1. This incorrect numbering occurs on page 2 ¶ 2 and continues through the end of the settlement on page 25 ¶ 102. Correct numbering should start on page 2 ¶ 1 and continue through page 25 ¶ 101.

On page 11 of the Settlement, the alphabetical paragraphs under ¶ 73 are g through l. Correct ordering of those paragraphs should be a through f.

The corrected pages of the Opinion and Order are attached to this notice. Please release the incorrect pages in your copy of the Opinion and Order.

The Opinion and Order on the PA PUC website will be corrected as indicated above. Please accept our apologies for any inconvenience this may have caused you.

Thank you.

I. INTRODUCTION

1. 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.

2. 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.*

3. 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).

4. 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.

5. 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.

6. 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.

7. 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).

8. 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.

9. 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.

10. 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

11. 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.

12. 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.

13. 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.

14. 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.

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

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

17. 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.

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

19. 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.

20. 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.

21. 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.

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

23. 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.

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

25. 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.

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

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

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

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

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

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

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

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

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

33. 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.

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

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

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

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

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

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

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

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

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

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

42. 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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

57. 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.

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

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

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

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

61. 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.

62. 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.

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

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

64. The construction project at Spring Street, Nazareth, PA (“Spring Street Project”) was completed on December 2, 2022.

65. The Spring Street Project consisted of installing 2155 feet of 2-inch plastic main.

66. 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.

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

68. The relevant sections of UGI Gas’s Gas Operations Manual (“GOM”) related to the above-described projects are summarized below.

69. 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.”

70. 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.”

71. 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.”

72. 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

73. 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:

- a. 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).

- 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).

B. Position of UGI

74. 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

75. 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.

76. 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

77. 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.

78. 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.

79. 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.

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

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 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.

82. 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.

83. 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.

84. 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

85. 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.

86. 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.

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

88. 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.

89. 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.

90. 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.

91. 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.

92. 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.

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

94. 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.

95. 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.

96. 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.

97. 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.

98. 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.

99. 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.

100. 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*.

101. 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]