PENNSYLVANIA
PUBLIC UTILITY COMMISSION
Harrisburg, PA 17120

Public Meeting held November 5, 2026

Commissioners Present:

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

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. The Commission's Opinion and Order entered July16, 2026 at this docket (*July 2026 Order*), sought comments from interested parties regarding the proposed Settlement Agreement between I&E and UGI.[2] The *July 2026 Order*, the Joint Petition, and the Statements in Support were published in the *Pennsylvania Bulletin* on August 1, 2026. To be considered timely, the Commission directed comments be filed no later than twenty-five (25) days after the *Pennsylvania Bulletin* publication. On August 26, 2026, I&E and UGI filed a Joint Comment. For the reasons set forth herein, we shall approve the Joint Petition, consistent with this Opinion and Order, based on our finding that the Settlement is in the public interest.

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[1] We note that in the Settlement Agreement filed with the Commission, the Parties redacted certain information regarding the location of the utility infrastructure involved which constitutes Confidential Security Information (CSI), under 52 Pa. Code §102.2 of Commission Regulations, and was properly redacted under Section 102.3. 52 Pa. Code §102.3. We concur that the disclosure of such information is not in the public interest as a matter of public safety and approve the redaction. To the extent the parties referred to the redacted version of the Settlement as "non-proprietary," we remind the parties that the treatment of proprietary documents is governed by the procedures set forth at 52 Pa. Code §5.365. In this case, the redacted portion of the Settlement remains protected from disclosure as CSI, as defined under 52 Pa. Code §102.2.

[2] In a Statement at the July 16, 2026 Public Meeting, the Commission's Vice Chair Kimberly Barrow requested that the Parties clarify Item 81(B) of the terms of the Settlement. Item 81(B) states: *UGI Gas will not seek recovery, through ratepayers, of the costs for the work performed by [SKODA Contracting (SKODA)] to investigate, inspect, and remediate the projects, identified in this settlement, performed by SKODA in 2022.* The Statement requested more information "clarifying what work and associated costs related to these incidents/investigation would be barred from recovery from ratepayers." Statement at 1.

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, 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.

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. Settlement Agreement, Appendix B 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.

By Order entered July 26, 2026, the Commission issued the Settlement for comments. In a statement at the July 16, 2026 Public Meeting, Vice Chair Kimberley Barrow requested that the Parties clarify Item 81(B) of the terms of the Settlement. A Comment was filed jointly on August 26, 2026, by I&E and UGI.

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 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).

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[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."

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 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 Settlement[5]

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

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

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 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. <u>Civil Penalty</u>:**
>
> 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.

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

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.

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. <u>Fusion Failure Investigation and Integrity Analysis</u>:

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. <u>GPS Fusion Capture</u>:

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. <u>Enhanced Data Collection</u>:

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

[7] "High-risk fusions" are defined as butt fusions on 6" or larger diameter plastic pipe.

> 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.

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. Comments

By Opinion and Order entered July 16, 2026, the Commission issued the Settlement for comments. In a statement at the July 16, 2026 Public Meeting, Vice Chair Barrow requested that the Parties clarify Item 81(B) of the terms of the Settlement. As noted, *supra*, a joint comment was filed on August 26, 2026, by I&E and UGI.

Item 81(B) states: *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.* The Statement requested more information "clarifying what work and associated costs related to these incidents/investigation would be barred from recovery from ratepayers." Statement at 1.

In their joint comment, I&E and UGI provided that the Settlement term found at paragraph 81(B) prohibits UGI from recovering from ratepayers, any of the costs associated with investigating, inspecting, and remediating SKODA's alleged failure to follow UGI's construction procedures and the installation of visually unacceptable plastic fusions. This term applies to the projects identified in the Settlement, all of which were installed in calendar year 2022. SKODA did not charge UGI any additional costs to investigate, inspect, and remediate the projects identified in the Settlement. Therefore, the Parties explained, any costs associated with the investigation, inspection, and

remediation of those projects identified in the Settlement have been and will be excluded from UGI's rates. I&E and UGI Comment at 1-2.

V. Discussion

Pursuant to our Regulations at 52 Pa. Code § 5.231, it is the Commission's policy to promote settlements. 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 (Order entered January 7, 2004). In this regard, the Commission's *Policy Statement* at 52 Pa. Code § 69.1201 sets forth ten factors that we may consider in evaluating whether a civil penalty for violating a Commission Order, Regulation or statute is appropriate, as well as if a proposed settlement for a violation is reasonable and approval of the settlement agreement is in the public interest. The *Policy Statement* sets forth ten factors we use when determining whether, and to what extent, a civil penalty is warranted in litigated and non-litigated settled cases. In settled cases, while many of the same factors may still be considered, the settling 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).[8] Based on our review of the Settlement, we find, as discussed in more detail below, that the application of these factors supports approval of the Settlement.

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

[8] *See also Joseph A. Rosi v. Bell-Atlantic-Pennsylvania, Inc.*, Docket No. C-00992409 (Opinion and Order entered March 16, 2000) (*Rosi*). Because the Commission's Regulations governing the factors and standards applicable to a determination of whether to impose a civil penalty were developed in *Rosi,* these ten factors are commonly known as the "*Rosi* factors."

amount. 52 Pa. Code § 69.1201(c)(1). According to I&E, 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 concluded that UGI, through its contractor, SKODA, installed and placed into service fifty-two (52) fusions that were visually unacceptable per UGI procedures. I&E noted 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 Statement in Support at 10.

I&E provided 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, I&E stated that plastic fusion visual acceptability standards should be diligently adhered to, to ensure the best possible outcomes. I&E considered the actions and inactions of UGI to constitute conduct that placed the public safety at risk, and therefore, the civil penalty is warranted in this case. I&E stated that 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. I&E Statement in Support at 10.

UGI provided that the fusions performed by the identified SKODA Foreman and Laborer did not cause or contribute to any persons or damage to property, and the Company thoroughly investigated, identified, removed, and replaced all identified visually unacceptable fusions performed by the SKODA Foreman and Laborer. UGI acknowledged that gas safety is a significant issue and one that the Company values. UGI noted that the terms and conditions of the Settlement, including the civil penalty, take the alleged conduct into account. UGI Statement in Support at 9-10. While the

installation of fusions that were unacceptable by UGI procedures did not result from fraudulent or willful acts, the Incident was of a serious nature. We find that the conduct involved – the installation of unacceptable fusions – was the result of conduct of a serious nature and, accordingly, we find the proposed penalty to be fair and reasonable given the circumstances and that it further demonstrates that the Settlement is in the public interest.

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. I&E alleged that UGI's failure to identify visually unacceptable fusions and permitting those fusions to be placed into service, represented a threat to public safety. I&E Statement in Support at 10.

I&E provided that 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. I&E Statement in Support at 11.

UGI explained that the Company's contractors failed to follow UGI's training and its standards and procedures necessary to appropriately monitor and inspect the construction of the subject pipeline facilities. According to UGI, the Company promptly responded to the Incident in a serious manner that prioritized correcting and enhancing the safety and reliability of its service. UGI Statement in Support at 10. We find the penalty reasonable due to the nature of the violations and resulting Incident as we find the potential consequences of a serious nature.

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. I&E Statement in Support at 11.

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). I&E provided that 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. According to I&E, UGI has made and will continue to make substantial efforts to prevent similar conduct going forward. 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. I&E Statement in Support at 11.

I&E set forth that 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 in the future. I&E reasoned that 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. I&E concluded that 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. I&E asserted

that these improvements would provide a significant benefit to public safety. I&E Statement in Support at 12.

UGI maintained that it cooperated with and assisted I&E with its investigation of the Incident. UGI proactively adopted several changes to its training policies and procedures to further enhance the safety and reliability of its service. UGI Statement in Support at 11. We find that UGI's implementation of corrective measures supports the proposed penalty.

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). I&E provided that there is no evidence that customers suffered adverse consequences such as loss of service or property damage. The violations began at the time the construction projects went into service and continued until the time UGI remediated the issues, beginning in April 2023 and continuing through 2025. I&E stated that UGI has since remediated all fusions that were found to be visually unacceptable. I&E Statement in Support at 12. For this reason, this factor weighs in support of the proposed penalty.

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.* I&E noted that 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. I&E Statement in Support at 12.

I&E provided a review of UGI's compliance history including the following:

> 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.

I&E Statement in Support at 13-15.

I&E also provided that 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 (Final 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. I&E provided that 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. I&E Statement in Support at 15.

UGI maintained that it has strived to continuously improve its training, policies and procedures related to the installation and inspection of pipeline facilities by its contractors. UGI averred that it aims to prioritize and remove risky pipe from its system. Additionally, UGI asserted that the commitments in the Settlement to further enhance its training, policies and procedures provides supportive evidence of a resolve to continue to invest substantial time and resources to enhance the safety and reliability of its system. UGI Statement in Support at 12. I&E considered UGI's compliance history

when reaching an amicable civil penalty. We thus determine that this factor weighs in favor of the proposed penalty.

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*. According to I&E, 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. I&E noted 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 I&E's Pipeline Safety personnel during the investigation. I&E Statement in Support at 15-16. This factor weighs in favor of the proposed penalty amount and further warrants approval of the Settlement as being in the public interest.

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 submitted 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 submitted 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. I&E Statement in Support at 16. UGI stated that the civil penalty recognizes the seriousness of the matter but also reflects a negotiated compromise that considers the Company's efforts since the Incident occurred. UGI Statement in Support at 12. We find that the civil penalty is appropriate and 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 maintained that the instant Settlement provides comparable or even superior relief to prior enforcement matters involving similar pipeline safety violations. According to I&E, the instant Settlement Agreement should be viewed on its own merits and is fair and reasonable. Additionally, I&E reasoned that 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. I&E Statement in Support at 16-17.

I&E set forth that the case that is most comparable to this case can be found at *Pa. PUC, Bureau of Investigation and Enforcement v. Columbia Gas of Pennsylvania, Inc.*, Docket No. C-2023-3044398. In that case, Columbia Gas has agreed to pay a civil penalty of $875,000 to resolve I&E's allegations that Columbia Gas' 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. According to I&E, 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. I&E Statement in Support at 17. We note the corrective measures in the Settlement and find the penalty appropriate here.

The tenth factor considers "other relevant factors." 52 Pa. Code § 69.1201(c)(10). I&E set forth that an additional relevant factor – whether the case was settled or litigated – is of pivotal importance to this Settlement Agreement. In this regard, 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 negotiated 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. I&E provided that 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. Additionally, I&E noted that 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. I&E Statement in Support at 17-18. We find that it is in the public interest to settle this matter. Therefore, we are of the opinion that other relevant factors weigh in favor of approval of the agreed upon civil penalty, as well as the other settlement terms, established in the Settlement.

Furthermore, in the supplemental information provided in the Joint Comment filed on August 1, 2026, the Parties clarify that "any costs associated with the investigation, inspection, and remediation of those projects have been and will be excluded from UGI Gas's rates." This information indicates no reason to disapprove the Settlement. For the reasons set forth above, after reviewing the terms of the Settlement, we find that approval of the Settlement is in the public interest and is consistent with the terms of our Policy Statement and our past decisions.

Accordingly, in the ordering paragraphs below, we shall direct that, as agreed upon in the Settlement, UGI remit a civil penalty in the amount of $150,000 within thirty (30) days of the entry date of this Opinion and Order.

VI. Conclusion

It is the Commission's policy to promote settlements. 52 Pa. Code § 5.231. The Parties herein have provided the Commission with sufficient information upon which to thoroughly consider the terms of the proposed Settlement. Based on our review of the record in this case and the Commission's Regulations and policy statements, we find that the proposed Settlement between I&E and UGI is in the public interest and merits approval. We will therefore approve the Settlement consistent with this Opinion and Order; **THEREFORE,**

IT IS ORDERED:

1. That the Joint Settlement Petition for Approval of Settlement, 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 of the Public Utility Code, 66 Pa.C.S. § 3301, within thirty (30) days of the date this Opinion and Order becomes final, UGI Utilities, Inc. – Gas Division shall pay a civil penalty of One Hundred Fifty Thousand Dollars ($150,000). Said payment shall be made by certified check or money order payable to "Commonwealth of Pennsylvania." The docket number of this proceeding shall be indicated with the certified check or money order and shall be sent to:

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

3. That 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) or passed through as an additional charge to UGI Utilities, Inc. – Gas Division customers in Pennsylvania.

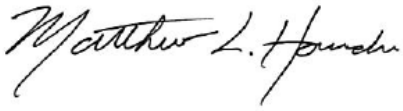
4. That, upon fulfillment of the non-monetary, remedial measures set forth in Paragraph 81 of the Settlement Agreement, UGI Utilities, Inc. – Gas Division will file with the Commission a verification acknowledging compliance with the non-monetary remedial measures, pursuant to 52 Pa. Code § 5.591.

5. That a copy of this Opinion and Order shall be served upon the Financial and Assessment Chief, Bureau of Administration, who shall monitor this matter for compliance.

6. That, if UGI Utilities, Inc. – Gas Division fails to make the civil penalty payment required in Ordering Paragraph No. 2 above within thirty (30) days of the entry of the final Commission Order in this proceeding, the Bureau of Administrative Services Assessment Section shall refer this matter to the Pennsylvania Office of Attorney General for collection of the total amount set forth above and any other appropriate action.

7. That the above-captioned matter shall be marked closed upon receipt of the civil penalty outlined in Ordering Paragraph No. 2, above, and UGI Utilities, Inc. – Gas Division's compliance with Ordering Paragraph No. 4 above.

BY THE COMMISSION,



Matthew L. Homsher
Secretary

(SEAL)

ORDER ADOPTED: November 5, 2026

ORDER ENTERED: November 5, 2026