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File #: 2270/151133

June 26, 2012

Rosemary Chiavetta
Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor North
P.O. Box 3265
Harrisburg, PA 17105-3265

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**RE: Application of Leatherstocking Gas Company, LLC to Supply Natural Gas Service to the Public in Certain Townships and Boroughs in Northern Susquehanna County, Pennsylvania
Docket No. A-2011-2275595**

**Application of UGI Penn Natural Gas, Inc. for approval to begin to offer, render, furnish or supply gas utility service to the public in the additional territories of Bridgewater, Forest Lake, Great Bend, Harmony, New Milford and Oakland Townships, and Great Bend, Hallstead, Lanesboro, Montrose, New Milford, Oakland and Susquehanna Depot Boroughs, Susquehanna County
Docket No. A-2012-2284831**

Dear Secretary Chiavetta:

On June 21, 2012, counsel for Leatherstocking Gas Company LLC ("Leatherstocking") filed a Joint Stipulation in Settlement between Leatherstocking and UGI Penn Natural Gas, Inc. ("PNG").

It has come to Leatherstocking's and PNG's attention that there may be some confusion regarding whether the Settlement was intended to be submitted to Administrative Law Judge David A. Salapa (the "ALJ"), or directly to the Pennsylvania Public Utility Commission ("Commission"). To eliminate any potential confusion, the Settlement is being submitted directly to the Commission, with the Settlement intended to be submitted in lieu of Exceptions and Reply Exceptions to the March 20, 2012 Initial Decision of the ALJ.

To further clarify, the following corrections are to be made to the Settlement:

ALLENTOWN HARRISBURG LANCASTER PHILADELPHIA PITTSBURGH PRINCETON WASHINGTON, D.C.

A PENNSYLVANIA PROFESSIONAL CORPORATION

9605884v1

Rosemary Chiavetta
June 26, 2012
Page 2

Page 1 – strike the reference to the Administrative Law Judge on lines 4 and 5.

Page 7, Paragraph 19 – strike the reference to the presiding Administrative Law Judge.

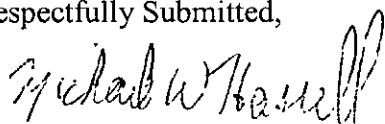
Page 9, Paragraph 26 – strike the reference to the ALJ.

Page 10 – strike the reference to the Administrative Law Judge.

A correct copy of the Settlement is attached.

Counsel apologize for any potential confusion.

Respectfully Submitted,



Michael W. Hassell

MWH/skr

Enclosures

cc: Certificate of Service

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**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Application of Leatherstocking Gas Company, :
LLC to Supply Natural Gas Service to the : Docket No. A-2011-2275595
Public in Certain Townships and Boroughs in :
Northern Susquehanna County, Pennsylvania :

Application of UGI Penn Natural Gas, Inc. for :
approval to begin to offer, render, furnish or : Docket No. A-2012-2284831
supply gas utility service to the public in the :
additional territories of Bridgewater, Forest :
Lake, Great Bend, Harmony, New Milford and
Oakland Townships, and Great Bend,
Hallstead, Lanesboro, Montrose, New Milford,
Oakland and Susquehanna Depot Boroughs,
Susquehanna County,

**JOINT STIPULATION IN SETTLEMENT
BETWEEN LEATHERSTOCKING GAS COMPANY, LLC
AND UGI PENN NATURAL GAS, INC.**

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I. INTRODUCTION

Leatherstocking Gas Company, LLC ("Leatherstocking") and UGI Penn Natural Gas, Inc. ("PNG" or the "Company"), parties to the above-captioned proceedings (hereinafter, collectively "Stipulating Parties") hereby join in this "Joint Stipulation in Settlement" ("Stipulation")¹ and respectfully request that the Pennsylvania Public Utility Commission ("Commission") approve this Stipulation. As fully set forth and explained below, the Stipulating Parties have resolved all of

¹ The Commission's Bureau of Investigation and Enforcement ("I&E"), the Office of Consumer Advocate ("OCA"), and Williams Field Services Company, LLC ("Williams") are also parties to the two above-captioned proceedings and the Borough of Lanesboro ("Lanesboro") is a party to the PNG proceeding. OCA, Williams and Lanesboro are not signatories to the instant Stipulation, but have indicated no opposition to the Stipulation and to returning the Leatherstocking application to the Commission's modified or non-litigated consideration procedure.

their respective issues in the above-captioned proceeding and hereby stipulate and agree to the terms and conditions set forth herein. In support of this Stipulation, the Stipulating Parties represent as follows:

II. BACKGROUND

This matter involves two competing applications filed by Leatherstocking and PNG. Although a motion to consolidate the two matters remains pending for disposition, these two applications currently are proceeding on separate litigation tracks. The procedural history for these two matters is summarized below.

A. LEATHERSTOCKING APPLICATION

1. On November 23, 2011, Leatherstocking filed the “Application of Leatherstocking Gas Company, LLC to Supply Natural Gas Service to the Public in Certain Townships and Boroughs in Northern Susquehanna County, Pennsylvania,” Docket No. A-2011-2275595 (“Leatherstocking Application”).²

2. On December 27, 2011, PNG filed a Protest to Leatherstocking’s Application.

3. I&E entered an appearance and the OCA and Williams intervened in the Leatherstocking Application.

4. On January 17, 2012, Leatherstocking filed Preliminary Objections to PNG’s Protest, challenging, among other things, PNG’s standing as protestant to the Leatherstocking Application. On January 27, 2012, PNG filed its Answer to Leatherstocking’s first Preliminary Objections.

5. Also on January 27, 2012, PNG filed an Amended Protest to the Leatherstocking Application pursuant to Section 5.91 of the Commission’s regulations. 52 Pa. Code § 5.91.

² On January 4, 2012, Leatherstocking filed an amended Exhibit B to the Application.

PNG filed the Amended Protest to update the initial Protest to reflect that on January 18, 2012, PNG filed its own competing application with the Commission, as discussed below.

6. The Prehearing Conference in the Leatherstocking Application was held on February 14, 2012. At that time, Leatherstocking indicated that it intended to file Preliminary Objections to PNG's Amended Protest. Leatherstocking also requested that the procedural schedule and discovery in the Leatherstocking Application be stayed until the disposition of Leatherstocking's forthcoming second Preliminary Objections. Leatherstocking's request was granted at the Prehearing Conference without objection.

7. On February 16, 2012, Leatherstocking filed its second Preliminary Objections to PNG's Amended Protest to the Leatherstocking Application, challenging, among other things, PNG's standing as protestant to the Leatherstocking Application. On February 27, 2012, PNG filed an Answer to Leatherstocking's second Preliminary Objections to PNG's Amended Protest to the Leatherstocking Application.

8. By Initial Decision served March 20, 2012, the ALJ granted Leatherstocking's second Preliminary Objections, concluding that PNG lacked standing as a protestant to the Leatherstocking Application.

9. Leatherstocking and PNG jointly requested a series of extensions, which were not opposed by any other party, for Exceptions and Reply Exceptions to facilitate settlement discussions and finalization of the written settlement document. These extensions were granted by the Commission and Exceptions are due June 29, 2012 and Reply Exceptions due July 11, 2012.

B. PNG APPLICATION

10. On January 18, 2012, PNG filed with the Commission the "Application of UGI Penn Natural Gas, Inc. for approval to begin to offer, render, furnish or supply gas utility service

to the public in the additional territories of Bridgewater, Forest Lake, Great Bend, Harmony, New Milford and Oakland Townships, and Great Bend, Hallstead, Lanesboro, Montrose, New Milford, Oakland and Susquehanna Depot Boroughs, Susquehanna County, Pennsylvania,” Docket No. A-2012-2284831 (“PNG Application”).

11. On February 10, 2012, PNG filed a Motion to Consolidate the PNG Application with the Leatherstocking Application. The issue of whether the two applications should be consolidated was deferred by the ALJ at the Leatherstocking prehearing conference.

12. Leatherstocking filed a Protest to the PNG Application on February 21, 2012.

13. I&E entered an appearance and OCA, Williams and Lanesboro intervened in the PNG Application.

14. A Prehearing Conference was scheduled for 1:00 p.m. on Thursday, April 5, 2012, in Hearing Room 4 in the Commonwealth Keystone Building, Harrisburg, Pennsylvania. PNG filed an unopposed request to postpone the Prehearing Conference. The ALJ granted the request, and the Prehearing Conference in the PNG Application has been rescheduled to June 27, 2012.

C. SETTLEMENT EFFORTS

15. The Stipulating Parties and their representatives held several settlement discussions. As a result of these discussions and the efforts of the Stipulating Parties to examine the issues raised in their competing applications, a settlement in principle was achieved prior to the date for the Prehearing Conference in the PNG Application.

16. In June of 2012, the Stipulating Parties advised the ALJ of the settlement in principle, and at the request of the Parties the ALJ suspended the procedural schedule in the PNG Application and deferred ruling on the pending Motion to Consolidate.³

17. The Stipulating Parties have mutually agreed to resolve their respective issues raised in the competing applications pursuant to the terms and conditions of this Stipulation. The Stipulation is set forth in the following Section.

III. STIPULATION

18. In order to fully resolve their issues in the two above-captioned proceedings, the Stipulating Parties stipulate and agree to the following terms and conditions, which they will adopt and support as their respective litigation positions throughout the remainder of these proceedings:

- (a) The Leatherstocking Application at Docket No. A-2011-2275595 shall be amended by this Stipulation to provide that Leatherstocking is seeking a non-exclusive franchise by its request for a certificate of public convenience, authorizing it to begin to offer, render, furnish, or supply natural gas distribution services in certain townships and boroughs in rural parts of northern and central Susquehanna County.
- (b) Provided that Leatherstocking is granted a non-exclusive franchise as outlined above, PNG agrees to discontinue any current and future opposition to the amended Leatherstocking Application.

³ The procedural schedule in the Leatherstocking Application previously had been stayed pending the Commission's disposition of the ALJ's Initial Decision.

- (c) Pursuant to 52 Pa. Code § 5.94(b), PNG shall withdraw its Original and Amended Protest to the Leatherstocking Application at Docket No. A-2011-2275595, without the right to refile, contingent upon the Commission confirming that Leatherstocking will only be granted a non-exclusive franchise as outlined above.
- (d) In the event Leatherstocking, for any reason, seeks to transfer, sell, abandon, or cease to operate any of its natural gas facilities in any portion of the service territory proposed in the amended Leatherstocking Application, PNG shall have the right of first refusal to acquire said facilities, subject to the Commission's approval under Chapter 11 of the Public Utility Code and any other required regulatory approvals, if any.
- (e) Pursuant to 52 Pa. Code § 5.94(a), PNG shall petition for leave to withdraw the PNG Application at Docket No. A-2012-2284831, with the right to re-file, at any time, a similar application seeking a certificate of public convenience to extend its service within all or a portion of the non-exclusive service territory proposed in the Leatherstocking Application.
- (f) PNG agrees that any future application filed by PNG for a certificate of public convenience to extend its service within all or a portion of the non-exclusive service territory proposed in the Leatherstocking Application will not seek to extend service to any customer served by Leatherstocking or to any entity which is under written contract with Leatherstocking to be provided service at the time the future application is filed. Subject to the

foregoing agreement that PNG will not seek to serve any existing Leatherstocking customer or entity which is under written contract with Leatherstocking to be provided service, and in recognition that Leatherstocking service territory is non-exclusive, PNG will not be required, as part of any such future application, to demonstrate that existing service by Leatherstocking is inadequate.

- (g) Leatherstocking agrees that neither it, nor any of its affiliates, will protest or otherwise oppose any future application filed by PNG that seeks a certificate of public convenience to extend its service within all or a portion of the stipulated non-exclusive service territory proposed in the Leatherstocking Application, provided that the application does not seek to extend service to any customer served by Leatherstocking at the time the future application is filed.

19. The terms of this Stipulation reflect a carefully balanced compromise of the interests of Stipulating Parties in a manner they believe should be approved as in the public interest. The Stipulation will be supported by the Stipulating Parties and shall be construed as their respective and collective litigation position(s) as of the date of its submission and throughout the remainder of these proceedings.

20. The Stipulating Parties represent that this Stipulation is not opposed by OCA, Williams or Lanesboro. The Stipulating Parties agree that this Stipulation shall not have any effect on the respective rights of I&E, OCA, Williams, or any other parties that are permitted to intervene or otherwise participate in the Leatherstocking Application at Docket No. A-2011-

2275595, or any future application filed by PNG. Any party to this proceeding may join this Stipulation by submitting a written letter.

IV. CONDITIONS OF SETTLEMENT

21. The Stipulation is conditioned upon the Commission's approval of the terms and conditions contained in this Stipulation without modification. If the Commission modifies the Stipulation, including the requirement that Leatherstocking only be granted a non-exclusive service territory, any Stipulating Party may elect to withdraw from the Stipulation and may proceed with litigation and, in such event, the Stipulation 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 five (5) business days after the entry of an Order modifying the Stipulation.

22. The terms and conditions of this Stipulation reflect and constitute the joint litigation position of the Stipulating Parties in this proceeding. The Stipulation resolves all issues raised by the Stipulating Parties, and, if adopted, precludes the Stipulating Parties from asserting positions in any way contrary to this Stipulation with respect to any issue addressed in the Leatherstocking Application or any future application filed by PNG that seeks a certificate of public convenience to extend its service within all or a portion of the non-exclusive service territory proposed in the Leatherstocking Application. All Stipulating Parties shall support the Stipulation and make reasonable and good faith efforts to obtain approval of the Stipulation by the Commission.

23. The Stipulating Parties acknowledge that the Stipulation reflects a compromise of competing positions to resolve outstanding issues in a fair, just, and reasonable manner and that it does not necessarily reflect any party's position with respect to any issues raised in the above-captioned proceeding.

24. The Stipulating Parties agree that the Stipulation shall not constitute or be cited as precedent, and shall be without prejudice to any of the Stipulating Parties' positions, in any other proceeding, except to the extent required to implement the explicit terms of this Stipulation.

25. The Stipulating Parties may execute this Stipulation in separate counterparts, each of which, when so executed and delivered, shall constitute an original, but all of which together shall constitute one and the same instrument.


26. The Stipulating Parties agree that this Stipulation resolves all of the issues and concerns raised by the Stipulating Parties hereto related to the Leatherstocking Application at Docket No. A-2011-2275595. The Stipulating Parties respectfully request that the Commission approve the Stipulation in its entirety on an expedited basis.

27. The Stipulation is consistent with the Commission's policy to promote settlements and will avoid delay and litigation expense for all involved. Therefore, it is in the public interest.

V. CONCLUSION

WHEREFORE, the Stipulating Parties, by their respective counsel, respectfully request that the Commission expedite and approve this Stipulation, including all terms and conditions thereof, and that the Commission enter an order consistent with this Stipulation:

- (a) accepting Leatherstocking's amendment to its application that it seeks a non-exclusive franchise;
- (b) Granting leave for the withdrawal of PNG's protest and application; and
- (c) Returning the Leatherstocking Application to the modified or non-litigated consideration procedure.

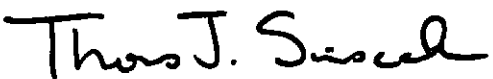


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Respectfully submitted,

Date: 6/20/2012

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For Leatherstocking Gas Company, LLC

Date: 6/20/2012

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CERTIFICATE OF SERVICE
(Docket Nos. A-2011-2275595 and A-2012-2284831)

I hereby certify that a true and correct copy of the foregoing document has been served upon the following persons, in the manner indicated, in accordance with the requirements of § 1.54 (relating to service by a participant).

VIA E-MAIL AND FIRST CLASS MAIL

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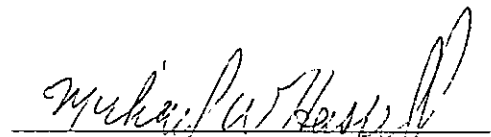
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Date: June 26, 2012


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