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File #: 153583

February 27, 2015

***VIA ELECTRONIC FILING***

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

**Re: UGI Penn Natural Gas, Inc.  
Annual Asset Optimization Plan  
Docket No. M-2015-**

Dear Secretary Chiavetta:

Enclosed for filing on behalf of UGI Penn Natural Gas, Inc. is the Company's Annual Asset Optimization Plan.

Copies will be provided as indicated on the Certificate of Service.

Respectfully submitted,

  
Jessica R. Rogers

JRR/jl

Enclosures

cc: Certificate of Service

## CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing has been served upon the following persons, in the manner indicated, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

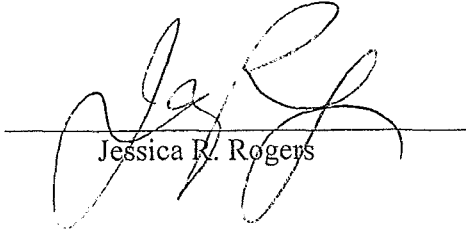
### VIA FIRST CLASS MAIL

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Date: February 27, 2015



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Jessica R. Rogers

UGI PENN NATURAL GAS, INC.

2014-2015  
Annual Asset Optimization Plan

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Docket No. M-2015-

**2/27/2015**

**UGI Penn Natural Gas, Inc.**  
**2014-2015 Annual Asset Optimization Plan**  
**Submission Date: February 27, 2015**

UGI Penn Natural Gas, Inc. (“UGI PNG” or the “Company”) hereby submits for the Pennsylvania Public Utility Commission’s (“Commission’s”) review its 2014-2015 Annual Asset Optimization Plan (“2014-2015 AAOP”) in connection with the Company’s 2014-2019 Long-Term Infrastructure Improvement Plan approved by the Commission Opinion and Order entered September 11, 2014 at Docket No. P-2013-2397056 (“2014-2019 LTIIIP”). This 2014-2015 AAOP provides a description of: (1) the eligible property repaired, improved and replaced in the Plan’s initial 12-month period, January 1, 2014 through December 31, 2014; and (2) the eligible property to be repaired, improved and replaced in the Plan’s upcoming 12-month period, January 1, 2015 thru December 31, 2015. As discussed in more detail below, this 2014-2015 AAOP demonstrates that the Company’s performance is consistent with the overall schedule of repairs, improvements or replacements of the specific eligible property in its approved Plan for the above-referenced 12-month timeframes.

**I. Background**

Act 11 of 2012 (“Act 11”) became effective on February 14, 2012, which, among other things, authorized the Commission to approve a distribution system improvement charge (“DSIC”) upon petition by a public utility to recover the utility’s reasonable and prudent costs incurred to repair, improve or replace certain eligible distribution property that is part of the utility’s distribution system. As a precondition to implementing a DSIC under Act 11, a utility is required to receive Commission approval of a LTIIIP that is consistent with the provisions of Section 1352 and the Commission’s implementing orders.

On August 2, 2012, the Commission entered its Final Implementation Order at Docket No. M-2012-2293611 (“Final Implementation Order”), which established procedures and guidelines implementing Act 11. The Final Implementation Order adopted the requirements established in Section 1352 of the Public Utility Code while providing additional standards that LTIIIPs must meet and guidance to utilities for meeting the Commission’s standards. In the Final Implementation Order, the Commission noted that a utility’s AAOP is intended to provide the Commission and the public an overall status report regarding a utility’s compliance and progress in making infrastructure improvements pursuant to its Commission-approved LTIIIP. The Commission further stated in the Final Implementation Order that it expects a utility’s AAOP to identify a utility’s near-term construction projects that will be funded by the DSIC, consistent with the LTIIIP.

On May 22, 2014, the Commission entered its Final Rulemaking Order at Docket No. L-2012-2317274 (“Final Rulemaking Order”), establishing procedures and criteria for the filing

and subsequent periodic review of LTIIPs. Section 121.6 of the Final Rulemaking Order included required elements of and procedures for filing AAOPs, providing, in pertinent part:

- a utility with an approved DSIC must file with the Commission, for informational purposes, an AAOP on an annual basis with the Commission 60 days after the 12 months of the utility's LTIIP has expired and pursuant to the timeframe for each successive year of the term of the LTIIP;
- A utility's AAOP must include: (1) a description that specifies all the eligible property repaired, improved and replaced in the prior 12-month period under the utility's LTIIP and prior year's AAOP, and (2) a description of the eligible property to be repaired, improved and replaced in the upcoming 12-month period;
- An AAOP will be reviewed by the Commission only to determine whether the utility is in substantial compliance with the repairs, improvements or replacements of the specific eligible property in its approved LTIIP, for the corresponding 12-month timeframes; and
- An AAOP will be deemed approved within 60 days of its submission to the Commission, absent any major modifications to the utility's LTIIP, Commission rejection of the AAOP or Commission extension of the consideration period.

Pursuant to the provisions of Act 11 and the Final Implementation Order, UGI-PNG filed Petitions for approval of its 2014-2019 LTIIP and DSIC on December 12, 2013, which were approved by the Commission by Opinion and Order entered September 11, 2014, at Docket No. P-2013-2397056. UGI PNG's initial DSIC subsequently took effect on October 1, 2014.

This 2014-2015 AAOP is the first annual update under UGI PNG's 2014-2019 LTIIP, which addresses the required elements for the Plan's initial 12-month period, January 1, 2014 thru December 31, 2014, and the Plan's upcoming 12-month period, January 1, 2015 thru December 31, 2015, and demonstrates, in accordance with the Final Rulemaking Order, that the Company's performance is consistent with the overall schedule of repairs, improvements or replacements of the specific eligible property in its approved Plan for the corresponding 12-month timeframes.

**II. Description of all the Eligible Property Repaired, Improved and Replaced in the Initial 12-Month Period: January 1, 2014 thru December 31, 2014**

As described in the Companies’ 2014-2019 LTIPs, UGI-PNG, UGI Utilities, Inc. – Gas Division (“UGI-GD”)<sup>1</sup> and UGI Central Penn Gas, Inc. (“UGI-CPG”)<sup>2</sup> (collectively, the “UGI Distribution Companies” or “Companies”) estimated the replacement of approximately 62 miles of cast iron and bare steel mains across the UGI Distribution Companies’ service territories in 2014. For UGI-GD specifically, the 2014 replacement plan included replacement of approximately 33 miles of combined cast iron and bare steel mains. For UGI-CPG and UGI-PNG specifically, the 2014 replacement plan included approximately 12 miles of combined cast iron and bare steel mains for each company.<sup>3</sup> A specific list of planned DSIC-eligible main replacement projects for 2014 is found attached to UGI-PNG’s 2014-2019 LTIP as Appendix B.

As stated in the 2014-2019 LTIP, the amount of the annual UGI Distribution Companies’ 62 mile main replacement plan allocated to each UGI Distribution Company will vary as risks are annually re-evaluated and re-prioritized across all UGI Distribution Companies. An annual review will be performed to identify the highest risk pipe segments and prioritize those replacements each year. Such approach is consistent with the UGI Distribution Companies’ Transmission Integrity Management Program (“TIMP”) and Distribution Integrity Management Program (“DIMP”) filed in accordance with Subpart P of 49 CFR Part 192.

In total the UGI Distribution Companies exceeded LTIP plans by replacing 62.6 miles of cast iron, bare steel and wrought iron mains in the calendar year ended December 31, 2014. The tables below provide a summary of the mains replaced all UGI Distribution Companies and the detail of the mileage replaced at UGI-PNG.

<b>UGI Distribution Companies Main Replacement Quantities</b>		
	<u>LTIP 2014 Planned Cast Iron, Bare Steel &amp; Wrought Iron Pipe Replacement Quantity (Miles)</u>	<u>Calendar Year 2014 Actual Cast Iron, Bare Steel &amp; Wrought Iron Pipe Replacement Quantity (Miles)</u>
UGI-CPG	12.0 <sup>4</sup>	13.0
UGI-GD	33.0	40.4
UGI-PNG	12.0	9.2
<b>Total UGI Companies</b>	<u>62.0</u> <sup>5</sup>	<u>62.6</u>

<sup>1</sup> UGI-GD’s LTIP was approved in an Opinion and Order at Docket No. P-2013-2398833, entered on July 31, 2014.

<sup>2</sup> UGI-CPG’s LTIP was approved in an Opinion and Order at Docket No. P-2013-2398835, entered on September 11, 2014.

<sup>3</sup> UGI-CPG’s 2014 replacement plan specifically included replacement of approximately 12 miles of cast iron and bare steel mains with anticipation that UGI-CPG will replace an average of 17 miles of combined cast iron and bare steel mains over the span of the LTIP.

<sup>4</sup> See note 3 above.

<sup>5</sup> The total 62 miles takes into account UGI-CPG’s replacement plan of an average of 17 miles of cast iron and bare steel over the span of the LTIP.

<b>UGI-PNG Pipe Replacement Detail</b>	
<u>Material</u>	<u>Mileage Replaced</u>
Bare Steel & Wrought Iron	5.0
Cast Iron	4.2
Total	<u>9.2</u>

Attached in hereto Appendix A is a list of DSIC-eligible mains and service line replacement projects that occurred during 2014 at UGI-PNG.

DSIC-eligible capital placed into service at UGI-PNG was \$26.1 million. The tables below enumerate the capital at all UGI Companies and spend at UGI-PNG by asset type. It should be noted that total LTIP expenditures exceeded the amounts reported below, however only those projects closed and placed into service for DSIC calculation purposes are shown below.

The increase in Distribution System Improvements placed into service at UGI-PNG during 2014 was largely attributable to the completion of the \$10.8MM Olyphant Loop project in Archbald. The project, designed to improve system reliability in the greater Scranton and Wilkes-Barre area was begun in calendar 2013 and completed in 2014. Additionally, as noted in the UGI-PNG LTIP plan, the replacement of a section of ineffectively coated pipeline was completed in Scranton at a cost of \$3.2MM as part of an ongoing series of investments to address prioritized main segments.

<b>UGI Companies DSIC Eligible Capital Placed in Service Calendar 2014</b>		
	LTIP 2014 Planned Capital <sup>6</sup> (\$Millions)	Calendar Year 2014 Capital Placed in Service <sup>7</sup> (\$Millions)
UGI-CPG	\$11.0	\$ 8.4
UGI-GD	\$51.2	\$59.0
UGI-PNG	\$22.9	\$26.1
<u>Total UGI Companies</u>	<u>\$85.1</u>	<u>\$93.5</u>

<b>UGI-PNG DSIC Eligible Capital Placed into Service Detail Calendar 2014</b>		
<u>Budget Group</u>	<u>Budget Group Description</u>	<u>Calendar Year 2014 Capital Placed in Service</u>
120	Distribution System Improvements	15,998,929
41M	Replacement-Mains	3,710,132
58M	Replacement-Services	2,412,129

<sup>6</sup> At the time of submitting its LTIP Petition in December 2013, projected LTIP annual expenditures and related project list were provided based on the Company's fiscal year, October 1st through September 30th, due to the Company's use of its fiscal year for capital budgeting purposes.

<sup>7</sup> Actual LTIP expenditures are shown based on the calendar year ended December 31, 2014 to be consistent with the Company's 2014 mileage replacement commitments as expressed on a calendar year basis.

45M	Replacement-Cast Iron	1,503,909
43M	Replacement-Ahead of Paving	1,064,357
09O	M & R Station Equipment	609,689
44M	Replacement-Other	403,491
11O	Corrosion Control	181,397
51M	Maintenance-Meters	112,461
01O	Misc-Plant Equipment	82,224
	<u>Total</u>	<u>\$26,078,718</u>



**III. Description of the Eligible Property To Be Repaired, Improved and Replaced in the Upcoming 12-Month Period: January 1, 2015 thru December 31, 2015**

In calendar year ending December 31, 2015, approximately 62 miles or more of cast iron, bare steel, and wrought iron main are planned to be replaced across all UGI Distribution Companies. For UGI-PNG, the 2015 replacement plan will include approximately 14 miles of cast iron and bare steel / wrought iron mains. These estimates are subject to change based on the UGI Distribution Companies' process for the annual re-evaluation and re-prioritization of projects across all UGI Distribution Companies. The estimated DSIC eligible capitals spend at UGI-PNG in 2015 is \$24.8 million.

<b>UGI Distribution Companies Main Replacement Quantities</b>		
	<u>LTIP Plan Pipe Replacement Quantity (Miles)</u>	<u>Calendar Year 2015 Pipe Replacement Plan (Miles)</u>
UGI-CPG	17	15 <sup>8</sup>
UGI-GD	33	33
UGI-PNG	12	14
<b>Total UGI Companies</b>	<u>62</u>	<u>62</u>

<b>UGI Distribution Companies DSIC-Eligible Capital Planned Calendar 2015</b>		
	<u>LTIP 2015 Plan Capital (\$Millions)</u>	<u>Calendar Year 2015 Plan Capital (\$Millions)</u>
UGI-CPG	\$11.0	\$20.4
UGI-GD	\$51.2	\$52.1
UGI-PNG	\$22.9	\$24.8
<b>Total UGI Companies</b>	<u>\$85.1</u>	<u>\$97.3</u>

Attached in hereto in Appendix B is a list of DSIC-eligible replacement projects that are planned during 2015 at UGI-PNG.

<sup>8</sup> While UGI-CPG's LTIP anticipated replacing an average of 17 miles of combined cast iron and bare steel mains over the span of the LTIP, the Company's replacement plan for calendar year 2015 includes replacement of approximately 15 miles of cast iron, bare steel and wrought iron mains.

**Appendix A**  
Cast Iron, Bare Steel, Wrought Iron  
Replacement Projects Placed in Service  
Calendar Year Ended December 31, 2014

<b>PROJECT ADDRESS</b>	<b>TOTAL PIPE (BS, CI OR WI) ABANDONED (FT)</b>	<b>CAST IRON (FT)</b>	<b>BARE STEEL / WROUGHT IRON (FT)</b>	<b>RETIRED PIPE SIZE (IN.)</b>	<b>INSTALLED PIPE SIZE (IN.)</b>
River Street, 000	4,567	3,978	589	4	2
Main Street	3,869	3,237	632	4	4
Harrison Avenue, 400-800	3,681	3,681	-	4	2
Davenport Street, 100	3,520	1,370	2,150	2	2
Elmcrest Drive, 100	3,100	-	3,100	4	2
Cherry Street, 1400	2,880	2,240	640	4&6	2&4
Race Street, 1000	2,620	1,430	1,190	6	4
Church Alley 2, 1100	2,570	-	2,570	6	4
Fairview Avenue, 1	2,570	1,630	940	4&6	2 &4
Wagner Street, 100	2,203	-	2,203	2&4	1.25&4
White Birch Lane, 0	1,850	-	1,850	2	2
Smith Street, 400-500	1,792	597	1,195	4	2
Old Berwick Road, 1000-4000	1,443	-	1,443	Various	Various
Frieda Avenue, 1100	1,360	-	1,360	3	2
S 10th Street, 000	1,100	1,100	-	4	2&4
W Gibson Street, 1400	1,087	715	372	2	2
Golf Hill Road, 136	1,032	-	1,032	2	0
N Irving Avenue, 700	1,000	1,000	-	4	2
Clover Street, 1	830	-	830	2	1.25
W 7th Street, 0	658	-	658	2	1.25
Kingsley Avenue, 1	635	-	635	2	1.25&2
Old Berwick Road, 1000	600	-	600	4	2
Harrison Avenue, 300	540	540	-	4	2
Route 6, 0	450	-	450	4	8
Hilltop Drive, 0	440	-	440	4	0
Poplar Street, 1100	430	430	-	4	0

**Appendix A**  
 Cast Iron, Bare Steel, Wrought Iron  
 Replacement Projects Placed in Service  
 Calendar Year Ended December 31, 2014

<b>PROJECT ADDRESS</b>	<b>TOTAL PIPE (BS, CI OR WI) ABANDONED (FT)</b>	<b>CAST IRON (FT)</b>	<b>BARE STEEL / WROUGHT IRON (FT)</b>	<b>RETIRED PIPE SIZE (IN.)</b>	<b>INSTALLED PIPE SIZE (IN.)</b>
Blackberry Alley, 1	400	-	400	1.25&2	2
N Arch Street, 100	376	376	-	4	4
Route 6, 0	350	-	350	4	4
N Front Street, 0	190	-	190	6	0
New Street, 0	130	-	130	4	2
River Road, 3985	75	-	75	4	4
Glenwood Street, 216	75	-	75	2	1.25
Nicholas Avenue, 0	59	-	59	0.75	2
Penn Street, 0	14	-	14	10	4&10
Main Street, 14	11	-	11	4	4

**Appendix B**  
Cast Iron, Bare Seel, Wrought Iron  
2015 Replacement Projects

PROJECT ADDRESS/ DESCRIPTION	TOTAL PIPE (BS, CI OR WI) ABANDONED (FT )	CAST IRON (FT)	BARE STEEL / WROUGHT IRON (FT)	RETIRED PIPE SIZE (IN)	INSTALLED PIPE SIZE (IN)
Grafius Street, 400	5,294	5,294	0	3,4,6	2&4
King Street, 300-800	5,037	725	4,312	6	1.25 & 2
7th Street, 000	4,443	0	4,443	4	2
Sunrise Avenue, 1	4,000	0	4,000	2	1.25
W Shawnee Avenue, 0	3,912	2,382	1,530	4	2
Route 405, 1100	3,870	0	3,870	4	4
King Street, 0	3,565	3,000	565	4&6	2&4
Old Berwick Road, 1000-4000	2,007	0	2,007	Various	Various
Market Street, 1100-1400	3,170	3,170	0	4	2
Market Street, 450-900	3,020	3,020	0	3,4,10	2
Riverside Drive, 1	2,690	0	2,690	4	2
6th Street, 1	2,230	0	2,230	4	1.25
Mains - Northern Division	2,000	2,000	0	Various	Various
Mains - Southern Division	2,000	2,000	0	Various	Various
Memorial Avenue, 500	1,900	0	1,900	6	4
Park Avenue, 300-400	1,851	526	1,325	4	4
Oakford Road, 1	1,800	0	1,800	3&4	4
Montour Street, 0	1,600	0	1,600	4	6
Cedar Avenue, 1900-2400	1,515	45	1,470	4	2 & 4
Conversion Mains - Northern	1,500	0	1,500	Various	Various
Conversion Mains - Central	1,500	0	1,500	Various	Various
Conversion Mains - Southern	1,500	0	1,500	Various	Various
Mary Street, 1	1,498	1,440	58	2 & 4	2 & 4
Old State Road, 1	1,400	0	1,400	4	4
Projects - Northern Division	1,333	1,000	333	Various	Various
Projects - Central Division	1,333	0	1,333	Various	Various

**Appendix B**  
Cast Iron, Bare Seel, Wrought Iron  
2015 Replacement Projects

PROJECT ADDRESS/ DESCRIPTION	TOTAL PIPE (BS, CI OR WI) ABANDONED (FT )	CAST IRON (FT)	BARE STEEL / WROUGHT IRON (FT)	RETIRED PIPE SIZE (IN)	INSTALLED PIPE SIZE (IN)
Projects - Southern Division	1,333	0	1,333	Various	Various
Church Alley 3, 2	1,300	0	1,300	6	4
Central Division	1,000	0	1,000	Various	Various
Eynon Street, 700-800	940	940	0	4	2
PNG Northern Division	833	0	833	Various	Various
Southern Division	833	0	833	Various	Various
Towpath Road, 1	700	0	700	2	2
Mains - Central Division	650	650	0	Various	Various
Coughlin Street, 100-300	600	600	0	4	2
Monroe Avenue, 1000	420	420	0	4	2
PNG Honesdale	250	0	250	Various	Various
Dark Region Road, 1	200	0	200	6	6
Perry Avenue, 0	160	0	160	4&6	4
Projects - Honesdale	125	0	125	Various	Various
Conversion Mains - Honesdale	100	0	100	Various	Various