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September 20, 2013

Jeffrey DeRouen
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, KY 40601

***RE: Application of AmeriGas Partners, L.P and AmeriGas Propane, L.P. For
Approval of the Acquisition of the Utility Assets of Heritage Operating, L.P. d/b/a
Bright's Propane Service, Inc. and for Authority to Abandon the Pipeline System
and Serve Customers by Other Means***

Dear Mr. DeRouen:

Enclosed for filing please find an original and ten copies of R. Paul Grady's Testimony on behalf of AmeriGas Propane, Inc. and AmeriGas Propane, L.P. in the above-referenced case.

Please place your file stamp on the extra copy and return to me via our runner. Thank you very much for your attention to this matter.

Sincerely yours,

Deborah T. Eversole

DTE: jmp
Enclosures

116993.146083/990900.1

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF AMERIGAS)	
PARTNERS, L.P. AND AMERIGAS PROPANE,)	
L.P., FOR APPROVAL OF THE ACQUISITION)	
OF THE UTILITY ASSETS OF HERITAGE)	
OPERATING, L.P. D/B/A BRIGHT'S PROPANE)	CASE NO. 2013-00241
SERVICE, INC. AND FOR AUTHORITY TO)	
ABANDON THE PIPELINE SYSTEM AND)	
SERVE CUSTOMERS BY OTHER MEANS)	

TESTIMONY OF
R. PAUL GRADY
VICE PRESIDENT AND CHIEF OPERATING OFFICER,
AMERIGAS PROPANE, INC. AND AMERIGAS PROPANE, L.P.

Filed: September 20, 2013

1 **Q. Please state your name, position and business address.**

2 A. My name is R. Paul Grady. I am the Vice President and Chief Operating officer of
3 AmeriGas Propane, Inc., a wholly owned subsidiary of AmeriGas, Inc., which is, in
4 turn, a wholly owned subsidiary of UGI Corporation. AmeriGas Propane, Inc. owns
5 26% of AmeriGas Partners, L.P., a publicly traded master limited partnership.
6 AmeriGas Propane, Inc., the entity of which I am Vice President and Chief Operating
7 Officer, is the General Partner of AmeriGas Partners, L.P. and is responsible for
8 managing the affairs of Amerigas Partners, L.P and Amerigas Propane, L.P. My
9 business address is 460 North Gulph Road, King of Prussia, PA 19406.

10 **Q. Please describe your educational background.**

11 A. I hold a B.A. in Marketing/Management from Stetson University, Deland, Florida
12 (1975) and a J.D. from Stetson College of Law, St. Petersburg, Florida (1978).

13 **Q. What is the purpose of your testimony?**

14 A. The purpose of my testimony is to establish that the application in this case meets the
15 statutory criteria set forth in KRS 278.020(5) and (6) for approval of a utility transfer.

16 **Q. Please state the basis for your opinion that the transfer of the utility assets of**
17 **Heritage Operating, L.P. d/b/a Bright's Propane Service, Inc. as described in the**
18 **application meets the criteria of KRS 278.020(5).**

19 A. KRS 278.020(5) requires that the acquirer of a utility possess the "financial,
20 technical, and managerial abilities to provide reasonable service." Those standards
21 are met here. AmeriGas is an extremely successful business enterprise that sells over
22 one billion gallons of propane annually to over 2 million customers in all 50 states. It
23 has total assets of \$4.5 billion. Its technical and financial resources, together with its

1 expertise in the propane business, stand behind the operation of Bright's and ensure
2 the continuing viability of Bright's operations. But the national resources and
3 expertise of AmeriGas are only part of the story. The local employees who are, and
4 will remain, responsible for the day-to-day operations of Bright's are experienced and
5 well-qualified. I am confident in the abilities of those employees: Rick Harris,
6 District Manager, Tommy Dishon, Service Technician, Benny Day, Bulk Driver, and
7 customer service representatives Kathy Caton, Sherri Ward, and Heather Preston.
8 Their duties and qualifications are more specifically discussed in the verified
9 application filed in this case, at page 5 and Exhibits E and F.

10 **Q. Please state the basis for your opinion that the transfer of the utility assets of**
11 **Heritage Operating, L.P. d/b/a Bright's Propane Service, Inc. as described in the**
12 **application meets the criteria of KRS 278.020(6).**

13 A. KRS 278.020(6) provides for Commission approval if the transfer of a utility is "in
14 accordance with law, for a proper purpose and is consistent with the public interest."
15 First, AmeriGas's "purpose" in acquiring Brights – to provide service to its customers
16 – is proper. Second, the Commission has defined the "public interest" standard to
17 require a showing that a transfer will either not affect the existing level of service or
18 rates or that any adverse effects can be avoided through imposition of reasonable
19 conditions on the acquiring party. *See Application for Approval of the Transfer of*
20 *Control of Kentucky-American Water Company to RWE Aktiengesellschaft and*
21 *Thames Water Aqua Holdings GmbH*, Docket No. 2002-00018 (July 10, 2002), at 9.
22 The public interest standard is met: there have been no adverse effects on Bright's
23 customers as a result of the transfer. Finally, the transfer is in accordance with law

1 except for the inadvertent failure to obtain Commission approval prior to the closing.
2 AmeriGas regrets the error. Upon discovering it, AmeriGas immediately engaged
3 experienced Kentucky utility counsel, contacted Commission Staff, and began
4 working on its application in this case, making every good faith effort possible to
5 come into compliance with KRS 278.020(5) and (6).

6 **Q. Please explain why you believe the transfer of Bright’s should be approved**
7 **despite AmeriGas’s inadvertent failure to seek prior Commission approval.**

8 A. As I explain above, AmeriGas can regret what is past, but it cannot change it. It can,
9 however, do what is within its power to come into compliance with the law (including
10 filing this application) and demonstrate that the transfer will not have adverse effects
11 upon Bright’s Kentucky customers. The Commission has previously found in such a
12 situation that a transfer may still be considered to have been made “in accordance
13 with law, for a proper purpose and consistent with the public interest,” except for the
14 failure to obtain prior Commission approval. *Joint Application of Automated*
15 *Communications, Inc. and Phoenix Network, Inc for Approval of the Transfer of*
16 *Assets of Automated Communications, Inc., to Phoenix Network, Inc., Docket No. 96-*
17 163 (Ky. PSC, June 27, 1996), at 3. After all, as the Commission noted in that case,
18 “[I]t does not appear that the transfer had any adverse impact on Kentucky
19 customers.” *Id.* The same is true here.

20 **Q. AmeriGas has also requested Commission approval to abandon pipeline service**
21 **and to serve its customers by means of delivery to onsite tanks. Do you believe**
22 **that such a change in service would constitute an “adverse” effect on customers?**

1 A. No, I do not. There is nothing inherently superior about propane service by pipeline,
2 especially under the circumstances here. AmeriGas serves approximately 18,000
3 customers in Kentucky, only 56 of whom are currently served by pipeline, and serves
4 them well. Delivery to onsite tanks will be economical and efficient, and will not
5 require any change to these customers' appliances. Moreover, the transition will be
6 seamless. No customer will lose propane service. Not until the new infrastructure is
7 in place will the pipeline be capped. Finally, if the pipeline customer so requests,
8 AmeriGas will bury the new tank at no charge to the customer. There need be no
9 concern that provision of service by AmeriGas, whether by pipeline or by delivery,
10 will cause any adverse effects on any Bright's customer.

11

12

Conclusion

13 **Q. Does this conclude your testimony?**

14 A. Yes, it does.

15

VERIFICATION

COMMONWEALTH OF PENNSYLVANIA)
)
COUNTY OF MONTGOMERY) SS:

The undersigned, R. Paul Grady, being duly sworn, deposes and says that he has personal knowledge of the matters set forth in the foregoing testimony, and that the answers contained therein are true and correct to the best of his information, knowledge and belief.

R. Paul Grady

R. Paul Grady

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 18th day of September 2013.

Susan Linkenhoker

Notary Public

My Commission Expires:

March 1, 2016

COMMONWEALTH OF PENNSYLVANIA
Notarial Seal
Susan Linkenhoker, Notary Public
Upper Merion Twp., Montgomery County
My Commission Expires March 1, 2016
MEMBER, PENNSYLVANIA ASSOCIATION OF NOTARIES