

UGI Utilities
2013 Winter Reliability Data Requests
October, 2013

UGI Utilities Inc. (UGI) operates three natural gas distributions companies in Pennsylvania: UGI Gas Division, UGI Penn Natural Gas and UGI Central Penn Gas. These three gas utilities serve over 587,000 customers in 45 counties across the Commonwealth. Safety and reliability are core values at UGI and our system is designed to meet customers' peak winter needs.

1. Winter Readiness

UGI continues to make substantial investments in infrastructure betterment to enhance the integrity and reliability of our delivery systems. UGI ranks high in Pennsylvania among natural gas utilities for the proportion of its system constructed from contemporary materials. Approximately 85 percent of UGI's natural gas pipelines are comprised of high-density plastic or coated steel. UGI has made a commitment to replace all remaining cast iron mains within 14 years and bare steel mains within 30 years. In 2013 UGI has made significant progress towards achieving these goals.

UGI performs extensive system leak surveys and frost patrols. Frost patrols are initiated by an accumulated 150 frost degree days and frost observations. Leak surveys are conducted on UGI's entire cast iron system every two weeks from January 1 to March 31. Additionally, a special Business / Urban Area leak walking leak survey is performed to target those assets in higher density areas urban areas.

Beginning in November 2013, UGI will implement a pilot program enhanced leak surveys on cast iron, bare steel, and certain additional assets within the City of Allentown. These incremental surveys will continue throughout the winter and will use incorporate technologies differing from the traditional flame ionization methods. Subsequent to the winter, results of the enhanced surveys will be compared with the traditional surveys to determine the effectiveness of the enhancements.

2. Employee Safety/Readiness

UGI Operations and Engineering departments play key roles in maintaining the safe and reliable performance of our system. Operations and Engineering continually assess UGI's system to ensure system integrity and responding to weather conditions to confirm the system is operating in a safe and reliable manner. System models are built to predict system performance under peak operating conditions. Model results are validated against actual system operating conditions using data from SCADA, system regulator station charts, and winter survey gauges. Specific reliability projects are identified to improve system pressures or increase system capacity as may be needed to maintain design criteria.

Each fall, planning meetings are conducted throughout the company to ensure appropriate preparations have been made prior to the winter season. These meetings include a review of any

previous system issues, a discussion of recent growth, a review interruptible/large customer impacts, and an enumeration of any areas forecasted to experience reduced pressures under peak conditions. Any changes in typical system operations are discussed and locations for winter survey gauges are reviewed. Communication protocols are reviewed to ensure physical system operation remains consistent with supply contracts.

Emergency Response training sessions are held in preparation for winter activity. Emergency stock levels are reviewed and adjusted if needed. Additional emergency response /repair resources are evaluated seasonally and added to scheduled shifts and on call rosters during winter months in anticipation of increased activity.

UGI participates in the American Gas Association (AGA) Mutual Assistance Program to ensure that supplemental resources are available in the event of a large scale emergency. The AGA Mutual Assistance Program is intended to supplement local, state and regional mutual assistance programs in the event of man-made or natural disasters that result in widespread service interruptions or damage to gas pipeline infrastructure.

3. Communications and Outreach

UGI's Communications, Community Relations, and Outreach Programs are designed to keep customers, employees, community residents, elected and appointed officials, media and other key publics informed on the safe use of energy. These programs also provide these audiences information on accessing additional safety-related resources from the Company, industry and government sources. Waves of communications are provided utilizing traditional, web and social media channels throughout the year.

Communication Channels and Tools

The UGI Communication, Community Relations and Outreach Programs escalate during the cold weather season. In particular, additional Communication, Community Relations and Outreach Program initiatives are provided during extreme weather events, or if emergency situations arise. The communication channels and tools UGI utilize include:

- Bill messages and inserts
- UGI website, outbound email and social media
- Call Center, including outbound dialer
- Proactive media, including public service announcements
- Paid advertising
- Personal contact through door-to-door, town meetings, etc.

Weather Event and Emergency Communications

In the event of a wide-spread emergency event, it is UGI's practice to take a broad-front, integrated external communication approach. This approach can employ use of the predictive dialer to communicate with affected customers; changing automated phone messages and prompts to limit the non-emergency options available in our call center to ensure that emergency-related contacts are handled in a timely fashion; and implementing emergency Call Center staffing protocols, in order to handle higher volumes of contacts that could occur during

an emergency. In the event of high volumes of calls, UGI also utilizes special messages on our phone menu indicating the emergency. This message provides pertinent information on the emergency situation, and informs callers of resources or options available to secure additional information. UGI also has the capability to increase staffing in the call center during the emergency, and expand live operator coverage to a 24 hour a day / 7 day a week schedule if necessary.

Key information provided via UGI's call Center assets are also made available to customer and community audiences on the UGI website, via outbound email, and on UGI's social media channels on Facebook, Twitter and Linked-In.

LIHEAP Communications

At the beginning of each heating season, UGI extensively promotes the availability of customer assistance programs to eligible customers. Special emphasis is placed on providing customers and community members with information on the Low Income Home Energy Assistance Program (LIHEAP), the federally-funded heating assistance program. UGI urges qualifying customers to apply for LIHEAP through a variety of means, including:

- Media announcements
- Bill inserts
- Outbound telephone campaigns
- Special mailings
- Website updates that include a link for customers to print a LIHEAP application

All UGI Call Center representatives attend special annual training on LIHEAP, and are provided scripts to ensure customers are informed of the LIHEAP program.

In addition to LIHEAP, UGI donates corporate funds to the Company's hardship assistance fund, Operation Share. These Company donations, in addition to donations from our customers, employees and others in the community, are made available to qualifying customers to assist them in paying their energy bills. UGI promotes Operation Share via customer inserts, direct communications with qualifying customers, on the UGI website and via social media channels.

CAP and Assistance Program Communications

Through UGI's Universal Service Programs, eligible customers can participate in the Company's Customer Assistance Program (CAP). Customers can be referred to the program by the UGI Call Center, and by referral UGI's broad network of community-based organizations, among others. Potential CAP participants can learn of the program via the UGI call Center (as mentioned above) or by CAP enrollment campaigns conducted by UGI to solicit known low income customers for participation. In addition, each year UGI completes a cold weather survey of customers whose service has been terminated within the past year through a series of letters, phone calls, and field visits to advise customers of the available funding and programs in order to get service reconnected. UGI will continue to work with our community-based organizations throughout the winter to get service restored for our customers who are without service.

For customers whose service is off, UGI accepts any combination of LIHEAP, Operation Share and crisis grants (if eligible) in order to establish service. In many cases, leveraging assistance funds in this manner allows the customer to make a smaller contribution for restoration of service. In cases where there is a threat of termination of customer service, UGI makes additional efforts for payment arrangement-eligible customers who are delinquent. In addition, UGI arranges payment agreement catch-up amounts, which assists in limiting customer terminations.

The Company also offers budget billing, and utilizes an existing third party customer notification program. UGI offers free payment options to customers who enroll in UGI's online bill payment program or auto-deduction program. UGI is sensitive to the fact that customers who are struggling to pay winter heating bills may not be comfortable with, or may not have the means or infrastructure, to sign up for these programs. UGI continues to offer a number of flexible ways for customers to pay their bills. UGI is committed to continuing to provide service to customers who make good faith efforts to pay their bills.

Lastly, UGI also hosts an annual Low Income Usage Reduction Program (LIURP) Contractor's workshop. This is a one-day event that encompasses the many aspects of LIURP and includes the importance of home heating safety.

4. Gas Supply & Planning

With the ongoing development of the Marcellus Shale and other shale regions, gas supplies have been supportive of natural gas prices on the NYMEX between \$3-\$4/Dth for the majority of the last 12 months.

UGI is prepared to meet the demands of its core market customers throughout the winter, especially on the coldest days. UGI contracts for firm supplies to meet the demands of core market customers both on a peak day and for a design cold winter.

UGI's obligation as supplier of last resort for core market customers is met through the procurement of services that are backed by a physical service interconnected with UGI's distribution system. These services include firm transportation, firm storage, firm delivered supply, and firm peaking services from a mix of nine interstate pipeline companies and four suppliers. Over the last several years, there has been a notable increase in the number of interstate pipeline capacity constraints which have curtailed holders of capacity with non-primary rights. Therefore, UGI's procurement of primary firm asset-backed capacity is essential for supply reliability, especially during severe cold.

Another important part of UGI's reliability plan is the diversification of its supply portfolio. The source points for UGI's gas supplies span from the Gulf of Mexico, Louisiana, Texas, and Oklahoma/Panhandle region to the Appalachian Mountains and Marcellus Shale region in Pennsylvania. In addition to having access to a large number of supply locations, these supply locations are very liquid. The high level of liquidity results from the number of parties who have natural gas to sell which in turn increases the reliability of the supply at that location. The diversity and liquidity which UGI has built into its supply portfolio means that UGI will stand a

better chance of obtaining alternate supplies if any particular supply source is interrupted. Further, UGI requires strict contractual force majeure provisions to ensure firmness of supply. In the case of storage, UGI buys natural gas and injects it into underground storage fields in the summer. During the winter season, UGI withdraws this gas from the storage fields to supplement base load purchases.

In the event of a natural gas emergency where curtailment may be necessary, UGI follows the procedure as defined in its PUC-approved tariff. UGI's priority will be to preserve service for residential and for firm critical and essential human needs commercial customers. To accomplish this, UGI may interrupt all interruptible customers, issue operational flow orders or daily flow directives, or call for voluntary usage reductions by customers.

5. Natural Gas Demand from Electric Generators

UGI's electric generation natural gas customers are on UGI tariff transportation rate schedules and are not classified as core market customers. UGI's priority will be to preserve service its core market customers, which consist of residential and firm critical and essential human needs commercial customers. To accomplish this, UGI may issue hourly or daily flow directives to electric generators or interrupt them entirely.

UGI has procedures in place to take action in the event an electric generator needs to be interrupted to preserve service to core market customers. These procedures include a customer notification procedure as well as an emergency shutdown procedure. Every effort will be made by UGI to provide the electric generator the opportunity to complete a controlled reduction in demand. However, if the electric generator's usage threatens to jeopardize the integrity of UGI's distribution system, UGI will turn off gas flow to the electric generator.