



UGI Utilities, Inc.  
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Post Office Box 12677  
Reading, PA 19612-2677  
(610) 796-3400 Telephone

**VIA EXPRESS MAIL**

March 17, 2011

Rosemary Chiavetta, Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street  
Harrisburg, PA 17120

**Re: Licensing Requirements For Natural Gas Suppliers; *SEARCH Final Order and Action Plan*: Natural Gas Supplier Issues; Docket Nos. L-2008-2069115; I-00040103F0002; REVISED COMPLIANCE TARIFF FILING OF UGI UTILITIES, INC. – GAS DIVISION**

Dear Secretary Chiavetta:

Enclosed for filing, please find the original and three (3) copies of the *revised* Supplement No. 82 to UGI Utilities, Inc. – Gas Division’s (the “Company”) Tariff – Gas Pa. P.U.C. No.5, having a proposed effective date of April 1, 2011. This filing is being made consistent with the request of Annunciata Marino in the Bureau of Fixed Utility Services to revise the Company’s initial filing submitted in this proceeding on January 31, 2011. Specifically, the following sentence has been added to Section 8.1 of the tariff supplement:

The amount and the form of the security, if not mutually agreed upon by the Company and the Choice Supplier, shall be based on the criteria established under 52 Pa. Code § 62.111(c) and as set forth in this Section 8.

Copies of this filing has been served on the persons (including all natural gas suppliers licensed in the Company’s service territory) indicated on the attached certificate of service. Should you have any questions concerning this filing, please feel free to contact me.

Very truly yours,

Paul J. Szykman  
Vice-President - Rates

Enclosure

Cc: Service List (via First-Class Mail)

RECEIVED  
2011 MAR 17 PM 1:52  
PA P.U.C.  
SECRETARY'S BUREAU

**UGI UTILITIES, INC.**  
**GAS TARIFF**  
**INCLUDING THE GAS SERVICE TARIFF**  
**AND**  
**THE CHOICE SUPPLIER TARIFF**

**RECEIVED**

**MAR 17 2011**

**PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU**

Rates and Rules

Governing the

Furnishing of

Gas Service and Choice Aggregation Service

in the

West Region

East Region

Including Territory Described on Pages 8 and 9

Issued: January 31, 2011

Effective for Service Rendered  
on and after April 1, 2011 in  
accordance with the  
Commission's Order at Docket  
No. L-2008-2069115 entered  
June 17, 2010.

By: Paul J. Szykman  
Vice President - Rates  
2525 N. 12<sup>th</sup> St., Suite 360  
Post Office Box 12677  
Reading, PA 19612-2677

**NOTICE**

THIS TARIFF MAKES CHANGES IN EXISTING RATES (See Page 1)

**LIST OF CHANGES MADE BY THIS SUPPLEMENT**  
(Page Numbers Refer to Official Tariff)

Table of Contents – Page 7

- Added Pages 142(a) through 142(j)

Gas-Pa. P.U.C. No. 5-S

Rules and Regulations – Section B. Financial Security – Pages 141-142(j)

- Revise rules and regulations related to Choice Supplier Security requirements

**UGI UTILITIES, INC**  
**GAS CHOICE SUPPLIER TARIFF**

Rates and Rules  
Governing the  
Furnishing of  
Gas Aggregation Service

Issued: January 31, 2011

Effective for service rendered on  
and after April 1, 2011 in  
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**NOTICE**

THIS TARIFF MAKES CHANGES IN EXISTING RATES (See Page 1)

**TABLE OF CONTENTS (Continued)**

	<b>Page Number</b>
This Page Reserved for Future Use	100
Rate IL - Interruptible Service - Large Volume	101 - 103
This Page Reserved for Future Use	104
Rate CDS - Cogeneration Delivery Service	105 - 106
This Page Reserved for Future Use	107
Rate XD – Extended Large Volume Delivery Service	108 - 110
This Page Reserved for Future Use	111 - 113
Rate LFD – Large Firm Delivery Service	114 - 117
Rate R/S – Retail and Standby Rider	118 - 120
Rate BD – Business Development	121 - 124
This Rate Schedule Cancelled	125 - 127
Rate EC – Environmental Conversion Rider	128 – 129

**Section B – The Choice Supplier Tariff**

**Rules and Regulations**

1. The Choice Supplier Tariff	130
2. Choice Supplier Qualification	131 - 132
3. Customer List	132
4. Choice Supplier Obligations	133 - 134
This Page Reserved for Future Use	135
5. Operational Requirements	136
6. Billing and Payment	137 - 138
7. Nomination Procedure	139 - 140
(C) 8. Financial Security	141 – 142(j)
9. Enrollment of Customers Into Rate Schedules RT, NT and CT	143
10. Standards of Conduct	144 - 147
 Rate AG	 148 - 152
Aggregation Agreement (Pro Forma)	153 - 164

(C) Indicates Change

**RULES AND REGULATIONS (Continued)**

**8. FINANCIAL SECURITY**

- (C) 8.1 Financial Security. A Choice Supplier shall provide financial security to ensure that Company and/or other Commission-approved Supplier of Last Resort is able to receive, without undue delay, funds or other forms of remuneration sufficient to meet the financial consequences of a Choice Supplier's failure to perform its natural gas supply delivery service obligations hereunder. Company may also use such forms of financial security to satisfy in part or in whole a Choice Supplier's obligation to pay the penalties authorized by this Supplier Tariff. The amount and the form of the security, if not mutually agreed upon by the Company and the Choice Supplier, shall be based on the criteria established under 52 Pa. Code § 62.111(c) and as set forth in this Section 8.
- (C) 8.2 Amount of Financial Security. A Choice Supplier seeking to be licensed to provide service on Company's system shall be required to provide an initial amount of \$50,000 in financial security. After the Choice Supplier begins to serve customers on Company's system the amount of financial security shall, unless otherwise mutually agreed, be equal to \$134.63/Dth times the Design Day Requirement (in Dth) for Choice Supplier's pool of Choice customers (as established at Docket No.P-00032054), but in not event shall the amount of financial security be less than \$50,000. This security level shall be subject to adjustments as provided in Section 8.6.
- (C) 8.3 Forms of Financial Security. For purposes of satisfying the amount of financial security determined under Section 8.2 hereof, the Choice Supplier shall provide financial security in one or more of the following manners, in a form reasonably acceptable to the Company and/or other Commission-approved Supplier of Last Resort, and shall reimburse Company for attorneys fees and all related external costs incurred by Company in implementing and enforcing the form of financial security provided by Choice Supplier:
- (a) cash;
  - (b) performance bond;
  - (c) irrevocable letter of credit;
  - (d) guarantee from a third party;
  - (e) call options satisfying the requirements of Section 8.4 hereof;
  - (f) in the case of Choice Suppliers with annual operating revenues of less than \$1 million; real or personal property placed in escrow or other arrangement that would make the property readily available to Company in the event of the Choice Supplier's non-performance or entering into bankruptcy, provided that the Choice Supplier (i) provides a verified statement, certified by a third party report, showing that the Choice Supplier has clear title to the property and that the property has not been pledged as collateral, or otherwise encumbered in regard to any other legal or financial transaction; (ii) provides a current appraisal report of the market value of the property; and (iii) grant the Company, upon request, a security interest in such property in a form acceptable to Company;
  - (g) accounts receivable pledged or assigned to the Company pursuant to a Company Commission-approved purchase of receivables ("POR") program satisfying the requirements of Section 8.5 hereof; or
  - (h) another form of financial security mutually acceptable to Company and Choice Supplier.

(C) Indicates Change

**RULES AND REGULATIONS (Continued)****8. FINANCIAL SECURITY (Continued)**

- (C) 8.4 **Call Option Requirements.** A Choice Supplier may meet some or all of its financial security obligations determined under Section 8.2 hereof by providing to Company or paying the Company to procure a Call Option for a volume equal to the monthly Design Day Requirements of the Choice Supplier's customers served under Rate Schedules RT, NT and / or CT. Unless otherwise authorized by Company, the Call Option must have a strike price equal to or less than the Choice Supplier's contract price(s) with its customers served under Rate Schedules RT, NT and CT. The Call Option shall allow Choice Supplier or Company to call on a volume equal to the Choice Supplier's Design Day Requirement on each and every day the Call Option is in place such that the exercise on any day does not preclude or impact the ability to exercise the option on a subsequent day. Call Options shall be subject to the following requirements:
- (a) If procured by Choice Supplier, the Call Option must enable Company to exercise the Call Option in the event of non-performance by the Choice Supplier without obtaining the prior consent of Choice Supplier;
  - (b) If procured by Choice Supplier, the Call Option may be exercised by it for any reason, including economic reasons, on any day when Company and/or other Commission-approved supplier of last resort does not need to exercise it because of Choice Supplier's failure to perform its natural gas supply delivery service obligations hereunder;
  - (c) Company shall specify the period over which the Call Option may be exercised;
  - (d) The Call Option may be a direct NYMEX instrument or it may be obtained indirectly from a third party. If the Call Option is a direct NYMEX instrument, the Choice Supplier shall assign the applicable capacity to Company. If the Call Option is obtained indirectly from a third party, then the transaction point shall be at a Company-approved city gate receipt point; and
  - (e) Choice Supplier shall be responsible for the cost of the Call Option.
- (C) 8.5 **POR Requirements.** A Choice Supplier may meet part or all of its financial security obligations determined under Section 8.2 hereof utilizing the accounts receivable pledged or assigned to the Company pursuant to a Company Commission-approved POR program, provided that Choice Supplier executes a Security Agreement substantially in the form set forth below, which, among other things: (a) grants Company a first priority security interest in the accounts payable to Choice Supplier for the purchased receivables; and (b) grants Company an immediate right of set-off against any account payable to Choice Supplier for any obligation owed by Choice Supplier to Company. To reflect the variability in the amounts owed by Company to Choice Supplier for purchased receivables given seasonal variations in customer loads, the amount of this form of security will be determined pursuant to the following formula: (The average daily Mcf volume of gas delivered by the Choice Supplier during the lowest 30 day period of volume during the past 12 months for accounts enrolled in the POR program) *times* (the lowest rate per Mcf charged by the Choice Supplier during the past 12 months) *times* (the number of days between the purchase of and payment for a Choice Supplier's receivables).
- (C) 8.6 **Adjustments to Financial Security Level.** From time to time, the Company shall review the financial security provided by a Choice Supplier and determine whether any adjustments are

(C) Indicates Change

**RULES AND REGULATIONS (Continued)****8. FINANCIAL SECURITY (Continued)**

required consistent with the formula under Section 8.2 hereof. The Company shall use the following factors to determine whether any such adjustments are required:

(a) A change in the Choice Supplier's recent operating history on Company's system or on other NGDS systems has materially affected Company system operation or reliability. A change that could materially affect the Company system or reliability may occur when the Choice Supplier fails to deliver natural gas supply sufficient to meet its customers' needs on 5 separate occasions within a 30 day period, or fails to comply with Company Operational Flow Orders as defined at 52 Pa. Code § 69.11.

(b) A significant change in the number of customers served, in the volume of gas delivered, or in the unit price of natural gas or a change in the class of customers being served by the Choice Supplier. A change over a consecutive 30 day period of 25% in the number of customer served, in the volume of gas delivered or in the average unit price of natural gas would represent a significant change.

(c) A change in the Choice Supplier's credit reports that materially affects the Choice Supplier's creditworthiness. A Choice Supplier's creditworthiness could be materially affected when two of the following credit rating companies change the Choice Supplier's credit rating: Dun & Bradstreet, Standard & Poor's Rating Services, Inc., TransUnion LLC, EQUIFAX Inc., Experian Information Solutions, Inc.

(d) A change in operational or financial circumstances that materially affects the Choice Suppliers' creditworthiness. A Choice Supplier's creditworthiness could be materially affected when two of the following investment rating companies change the Choice Supplier's rating of its issued securities from an investment grade or good rating to a speculative or moderate credit risk rating, and vice versa: Standard and Poor's Rating Services, Inc, Moody's Investment Services, Inc., Fitch, Inc., A.M. Best Company, Inc. and DBRS, Inc.

- (C) 8.7 Notice. If the Company determines, based on the criteria in Section 8.6 hereof, that an adjustment in the amount or type of security that a Choice Supplier must provide is warranted, the Company shall provide notice of its determination to the Choice Supplier in writing. The Choice Supplier shall comply with the Company's determination no later than 5 business days after the date the Choice Supplier was served with notice of the Company's determination. If the Choice Supplier disagrees with the Company's determination, the Choice Supplier may file a dispute with the Company and the Company and the Choice Supplier must attempt to resolve the dispute within 30 days after the date that the Company was notified of the dispute.

(C) Indicates Change

**RULES AND REGULATIONS (Continued)**

**8. FINANCIAL SECURITY (Continued)**

(C)

**SECURITY AGREEMENT**

This Security Agreement ("Agreement") dated \_\_\_\_\_, 2011, among \_\_\_\_\_, a \_\_\_\_\_ corporation ("Choice Supplier"), with a principal place of business at \_\_\_\_\_, and UGI Utilities, Inc. ("Secured Party").

**Background**

A. Choice Supplier and Secured Party are parties to an Agreement for Consolidated Billing Service with Purchase of Receivables ("CBS POR Agreement") by and between Choice Supplier and Secured Party.

B. Choice Supplier is required to provide financial security to Secured Party consistent with the provisions of Secured Party's Choice Supplier Tariff;

C. Under the CBS POR Agreement Secured Party purchases certain Choice Supplier accounts receivable for amounts charged by Choice Supplier for natural gas supply service provided to Choice customers on Secured Party's natural gas distribution system;

D. Under the CBS POR Agreement Secured Party bills Choice Supplier's Choice customers on Secured Party's natural gas distribution system for the natural gas supply service provided by Choice Supplier, and is obligated to remit to Choice Supplier the consideration due under the CBS POR Agreement for purchased receivables forty days after the date of purchase; and

E. Choice Supplier wishes, consistent with the terms of Secured Party's Choice Supplier Tariff, to provide some or all of its required financial security by granting Secured Party a right of offset and security interest in amounts owed by Secured Party to Choice Supplier under the CBS POR Agreement ("Collateral") so that the Collateral can be used by Secured Party to satisfy Choice Supplier's obligations to Secured Party in the event of Choice Supplier's failure to deliver gas for its Choice customers in a way that results in the creation of Choice Supplier liabilities to Secured Party under the terms of Secured Party's Choice Supplier tariff.

NOW, THEREFORE, the parties hereto, intending to be legally bound hereby, agree as follows:

**SECURITY INTEREST**

**Description:** As security for the payment of all Obligations (as defined below) ; and the payment of all expenses incurred by Secured Party in connection therewith (collectively, the "Secured Obligations"), Choice Supplier hereby assigns and grants to Secured Party, a continuing lien on and security interest in, upon and to Choice Supplier's right, title and interest in the Collateral.

"Obligations" shall mean all amounts owed by Choice Supplier to Secured Party under the terms of Secured party's Choice Supplier Tariff in the event of a failure by Choice Supplier to deliver required gas supplies.

**Perfection of Security Interest.** Choice Supplier shall take all action that may be necessary or desirable, or that Secured Party may request, so as at all times to maintain the validity, perfection, enforceability and first lien priority of Secured Party's security interest in and Lien on the Collateral or to enable Secured Party to protect, exercise or enforce its rights hereunder and in the Collateral, including, but not limited to: (i) immediately discharging all Liens (other than permitted encumbrances); and (ii) executing and delivering financing statements,

(C) Indicates Change

**RULES AND REGULATIONS (Continued)**

(C)

**8. FINANCIAL SECURITY (Continued)**

control agreements, instruments of pledge, mortgages, notices and assignments, in each case in form and substance reasonably satisfactory to Secured Party, relating to the creation, validity, perfection, maintenance or continuation of Secured Party's security interest and Lien on the Collateral under the Uniform Commercial Code or other Applicable Law. By its signature hereto, Choice Supplier hereby authorizes Secured Party to file against Choice Supplier, one or more financing, continuation or amendment statements pursuant to the Uniform Commercial Code in form and substance satisfactory to Secured Party. All charges, expenses and fees Secured Party may incur in doing any of the foregoing, and any local taxes relating thereto, shall be added to the Secured Obligations and paid to Secured Party for its benefit immediately upon demand.

Other Actions: In addition to the foregoing, Choice Supplier shall do anything further that may be required by Secured Party to secure Secured Party and effectuate the intentions and objects of this Agreement, including, without limitation, the execution and delivery of security agreements, contracts and any other documents required hereunder. At Secured Party's request, Choice Supplier shall also immediately deliver (with execution by Choice Supplier of all necessary documents or forms to reflect, implement or enforce the Liens described herein) to Secured Party all items of which Secured Party must receive possession to obtain a perfected security interest, including without limitation, all notes, stock powers, letters of credit, certificates and documents of title, chattel paper, instruments, and any other similar instruments constituting Collateral.

Filing Security Agreement: A carbon, photographic or other reproduction or other copy of this Agreement or of a financing statement is sufficient as and may be filed in lieu of a financing statement.

Power of Attorney: Each of the officers of Secured Party or its representative is hereby irrevocably made, constituted and appointed the true and lawful attorney for Choice Supplier (without requiring it to act as such) with full power of substitution to do the following: (a) execute in the name of Choice Supplier, schedules, assignments, instruments, documents and statements that Choice Supplier is obligated to give Secured Party hereunder or is necessary to perfect (or continue to evidence the perfection of such security interest or Lien); and (b) during the continuance of an Event of Default: (i) endorse the name of Choice Supplier upon any and all checks, drafts, money orders and other instruments for the payment of monies that are payable to Choice Supplier and constitute collections on Choice Supplier's Receivables or other Collateral and (ii) do such other and further acts and deeds in the name of Choice Supplier that Secured Party may reasonably deem necessary or desirable to protect or enforce any Receivables or other Collateral or perfect Secured Party's security interest or Lien in the Collateral.

**REPRESENTATIONS, WARRANTIES AND COVENANTS**

Representation and Warranties. Choice Supplier represents and warrants that:

With respect to the Collateral, at the time the Collateral becomes subject to Secured Party's security interest: (i) Choice Supplier shall be the sole owner of and fully authorized and able to sell, transfer, pledge and/or grant a first priority security interest (subject to Permitted Encumbrances) in each and every item of the its respective Collateral to Secured Party; and the Collateral shall be free and clear of all Liens and encumbrances whatsoever (other than Permitted Encumbrances); (ii) each document and agreement executed by Choice Supplier or delivered to Secured Party in connection with this Agreement shall be true and correct in all material respects; and (iii) all signatures and endorsements of Choice Supplier that appear on such documents and agreements shall be genuine and Choice Supplier shall have full capacity to execute same; it has the right, power and authority to assign, pledge and grant a security interest in the Collateral;

No authorization of, filing with or approval by any governmental authority is required for the execution or delivery of or performance under this Agreement;

(C) Indicates Change

**RULES AND REGULATIONS (Continued)**

(C)

**8. FINANCIAL SECURITY (Continued)**

Choice Supplier's chief executive office is located at the location set forth in, and its full corporate name and jurisdiction of incorporation are set forth in, the introduction to this Agreement;

The execution and delivery by Choice Supplier of this Agreement and all related instruments, agreement and documents and performance of the transactions contemplated herein and therein (i) are within the company powers of Choice Supplier, (ii) have been authorized by all necessary action of Choice Supplier, and (iii) are not in contravention of any order of any court or other agency of government, of law or any other indenture, contract, agreement or undertaking to which Choice Supplier is a party or by which the property of Choice Supplier is bound,

or be in conflict with, or result in a breach of or constitute (with due notice and/or lapse of time) a default under any such indenture, contract, agreement or undertaking or result in the imposition of any lien, charge or encumbrance of any nature on any assets of Choice Supplier; and

This Agreement and any other agreements, instruments or documents executed and/or delivered in connection herewith shall be valid, binding and enforceable against Choice Supplier in accordance with their respective terms except as such enforceability may be limited by any applicable bankruptcy, insolvency, moratorium or similar laws affecting creditors' rights generally.

Affirmative Covenants. Choice Supplier covenants and agrees that it shall:

Pay, when due, all taxes, assessments and other Charges lawfully levied or assessed upon Choice Supplier or any of the Collateral including real and personal property taxes, assessments and charges and all franchise, income, employment, social security benefits, withholding, and sales taxes (other than taxes, assessment and Charges that are being Properly Contested by Choice Supplier). If any tax by any Governmental Body is or may be imposed on or as a result of any transaction between Choice Supplier and Secured Party which Secured Party may be required to withhold or pay or if any taxes, assessments, or other Charges remain unpaid after the date fixed for their payment, or if any claim shall be made which, in Secured Party's opinion, may possibly create a valid Lien on the Collateral, Secured Party may without notice to Choice Supplier pay the taxes, assessments or other Charges and Choice Supplier hereby indemnifies and holds Secured Party harmless in respect thereof. Secured Party will not pay any taxes, assessments or Charges to the extent that Choice Supplier has Properly Contested those taxes, assessments or Charges. The amount of any payment by Secured Party under this Section 2.2 shall be added to the Secured Obligations and paid to Secured Party for its benefit immediately upon demand;

From time to time and at all reasonable times, upon prior notice (unless an Event of Default has occurred and is continuing) allow Secured Party, by or through any of its officers, agents, attorneys, or accountants, to examine or inspect the Collateral wherever located; provided however that so long as no Default or Event of Default has occurred and is continuing, Choice Supplier shall only be required to bear the cost and reimburse Secured Party for the costs and expenses of four (4) such examinations per fiscal year;

Do, obtain, make, execute and deliver all such additional and further acts, things, deeds, assurances and instruments as Secured Party may reasonably require to evidence, perfect or otherwise vest in and assure to Secured Party its rights hereunder and in or to the Collateral, and the proceeds thereof;

Promptly notify the Secured Party of any event causing a material loss or decline in value of the Collateral whether or not covered by insurance and the amount of such loss or depreciation; and

(C) Indicates Change

**RULES AND REGULATIONS (Continued)**

(C)

**8. FINANCIAL SECURITY (Continued)**

Promptly notify the Secured Party in writing in advance of any change in location of its chief executive office shown herein or its state of incorporation.

Negative Covenants. Choice Supplier covenants and agrees that it shall not:

Make any disposition of Collateral whether by sale, lease or otherwise except the sale of receivables pursuant to the CBS POR Agreement;

Permit any other Lien, security interest or encumbrance of any kind to attach to or be imposed upon any of the Collateral (except for Permitted Encumbrances);

Amend, modify or waive any term or provision of its Certificate of Incorporation or Bylaws unless required by law or to the extent such amendment, modification or waiver would not adversely affect the interests of the Secured Party;

DEFAULT

Events of Default: The occurrence of an Event of Default under the CBS POR Agreement or a breach of this agreement which is not cured after 15 days written notice shall constitute an event of default ("Event of Default") hereunder and Secured Party shall thereupon have the option to declare Choice Supplier in default under this Agreement, and all other existing and future agreements of any kind (related or unrelated) with Secured Party, and declare all Secured Obligations, immediately due and payable, all without demand, notice, presentment or protest or further action of any kind.

Rights and Remedies on Default:

In addition to all other rights, options and remedies granted to Secured Party under this Agreement (each of which is also then exercisable by Secured Party), Secured Party shall upon the occurrence and during the continuance of an Event of Default have the right to exercise any and all rights and remedies provided for herein, under the CBS POR Agreement, the Uniform Commercial Code and at law or equity generally, including the right to foreclose the security interests granted herein and to realize upon any Collateral by any available judicial procedure and/or to take possession of and sell any or all of the Collateral with or without judicial process. Upon the occurrence and during the continuance of an Event of Default, Secured Party may enter any of Choice Supplier's premises or other premises without legal process and without incurring liability to Choice Supplier therefor, and Secured Party may thereupon, or at any time thereafter, in its discretion without notice or demand, take the Collateral and remove the same to such place as Secured Party may deem advisable and Secured Party may require Choice Supplier to make the Collateral available to Secured Party at a convenient place. Upon the occurrence and during the continuance of an Event of Default, with or without having the Collateral at the time or place of sale, Secured Party may sell the Collateral, or any part thereof, at public or private sale, at any time or place, in one or more sales, at such price or prices, and upon such terms, either for cash, credit or future delivery, as Secured Party may elect. Except as to that part of the Collateral which is perishable or threatens to decline speedily in value or is of a type customarily sold on a recognized market, Secured Party shall give Choice Supplier reasonable notification of such sale or sales, it being agreed that in all events written notice mailed to Choice Supplier at least ten (10) days prior to such sale or sales is reasonable notification. At any public sale Secured Party may bid for and become the purchaser, and Secured Party, or any other purchaser at any such sale thereafter shall hold the Collateral sold absolutely free from any claim or right of whatsoever kind, including any equity of redemption and all such claims, rights and equities are hereby expressly waived and released by Choice Supplier. The cash proceeds realized from the sale of any Collateral shall be applied to the Secured Obligations in the sole discretion of Secured Party. Noncash proceeds will only be applied to the Secured Obligations as they are converted into cash. If any deficiency shall arise, Choice Supplier shall remain liable to Secured Party therefore.

(C) Indicates Change

**RULES AND REGULATIONS (Continued)**

(C)

**8. FINANCIAL SECURITY (Continued)**

To the extent that Applicable Law imposes duties on Secured Party to exercise remedies in a commercially reasonable manner, Choice Supplier acknowledges and agrees that it is not commercially unreasonable for the Secured Party: (i) to fail to incur expenses reasonably deemed significant by the Secured Party to prepare Collateral for disposition; (ii) to fail to obtain third party consents for access to Collateral to be disposed of, or to obtain or, if not required by other law, to fail to obtain governmental or third party consents for the collection or disposition of Collateral to be collected or disposed of; (iii) to fail to exercise collection remedies against customers or other Persons obligated on Collateral or to remove Liens on or any adverse claims against

Collateral; (iv) to exercise collection remedies against customers and other Persons obligated on Collateral directly or through the use of collection agencies and other collection specialists; (v) to advertise dispositions of Collateral through publications or media of general circulation, whether or not the Collateral is of a specialized nature; (vi) to contact other Persons, whether or not in the same business as Choice Supplier, for expressions of interest in acquiring all or any portion of such Collateral; (vii) to hire one or more professional auctioneers to assist in the disposition of Collateral, whether or not the Collateral is of a specialized nature; (viii) to dispose of Collateral by utilizing internet sites that provide for the auction of assets of the types included in the Collateral or that have the reasonable capacity of doing so, or that match buyers and sellers of assets; (ix) to dispose of assets in wholesale rather than retail markets; (x) to disclaim disposition warranties, such as title, possession or quiet enjoyment; (xi) to purchase insurance or credit enhancements to insure the Secured Party against risks of loss, collection or disposition of Collateral or to provide to the Secured Party a guaranteed return from the collection or disposition of Collateral; or (xii) to the extent deemed appropriate by the Secured Party, to obtain the services of other brokers, investment bankers, consultants and other professionals to assist the Secured Party in the collection or disposition of any of the Collateral. Choice Supplier acknowledges that the purpose of this Section 3.2(b) is to provide non-exhaustive indications of what actions or omissions by the Secured Party would not be commercially unreasonable in the Secured Party's exercise of remedies against the Collateral and that other actions or omissions by the Secured Party shall not be deemed commercially unreasonable solely on account of not being indicated in this Section 3.2(b). Without limitation upon the foregoing, nothing contained in this Section 3.2(b) shall be construed to grant any rights to Choice Supplier or to impose any duties on Secured Party that would not have been granted or imposed by this Agreement or by Applicable Law in the absence of this Section 3.2(b).

Nature of Remedies: Upon the occurrence and during the continuance of an Event of Default, Secured Party shall have the right to proceed against all or any portion of the Collateral in any order and may apply any proceeds of the Collateral to the Secured Obligations in any order. All rights and remedies granted Secured Party hereunder and under any agreement referred to herein, or otherwise available at law or in equity, shall be deemed concurrent and cumulative, and not alternative remedies, and Secured Party may proceed with any number of remedies at the same time until all Secured Obligations of Choice Supplier to Secured Party are satisfied in full. The exercise of any one right or remedy shall not be deemed a waiver or release of any other right or remedy, and Secured Party, upon the occurrence and during the continuance of an Event of Default, may proceed against Choice Supplier, any other person, and/or the Collateral, at any time, under any agreement, with any available remedy and in any order.

Set-Off: In addition to all other rights, options and remedies granted or available to Secured Party under this Agreement (each of which is also then exercisable by Secured Party), upon the occurrence and during the continuance of an Event of Default, Secured Party shall have and be deemed to have, without notice to Choice Supplier, the immediate right of set-off against any account payable to Choice Supplier and any of Choice Supplier's deposits, moneys, securities, and other property now or hereafter in the possession of or on deposit with, or in transit to, Secured Party or any direct or indirect subsidiary of Secured Party, and may apply the funds or amount thus set-off against any Secured Obligations hereunder.

(C) Indicates Change

**RULES AND REGULATIONS (Continued)**

(C)

**8. FINANCIAL SECURITY (Continued)**MISCELLANEOUS

Governing Law and Jurisdiction. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE COMMONWEALTH OF PENNSYLVANIA. Any judicial proceeding brought by Secured Party with respect to any of the Secured Obligations, this Agreement, the CBS POR Agreement or any related agreement shall be brought in any court of competent jurisdiction in the Commonwealth of Pennsylvania, United States of America, and, by execution and delivery of this Agreement, Choice Supplier accepts for itself and in connection with its properties, generally and unconditionally, the non-exclusive jurisdiction of the aforesaid courts, and irrevocably agrees to be bound by any judgment rendered thereby in connection with this Agreement; provided that Choice Supplier agrees that Secured Party shall have the right to proceed against Choice Supplier or its property in a court in any jurisdiction necessary to enable Secured Party to realize on any Collateral or any other security for the Secured Obligations, or to enforce a judgment or other court order entered in favor of Secured Party. Choice Supplier hereby waives personal service of any and all process upon it and consents that all such service of process may be made by registered mail (return receipt requested) directed to Choice Supplier at its address set forth herein and service so made shall be deemed completed five (5) days after the same shall have been so deposited in the mails of the United States of America. Nothing herein shall affect the right to serve process in any manner permitted by law. Choice Supplier waives any objection to jurisdiction and venue of any action instituted hereunder and shall not assert any defense based on lack of jurisdiction or venue or based upon forum non conveniens. Choice Supplier waives the right to remove any judicial proceeding brought against Choice Supplier in any state court to any federal court. Any judicial proceeding by Choice Supplier against Secured Party involving, directly or indirectly, any matter or claim in any way arising out of, related to or connected with the Secured Obligations, the CBS POR Agreement or any other documents, shall be brought only in a federal or state court located in the County of Montgomery, Commonwealth of Pennsylvania; provided that the foregoing shall not preclude Choice Supplier from bringing a claim or counterclaim action in any court in which Secured Party has initiated a judicial proceeding against Choice Supplier.

Waiver:

No omission or delay by Secured Party in exercising any right or power under this Agreement or any other document will impair such right or power or be construed to be a waiver of any default, or Event of Default or an acquiescence therein, and any single or partial exercise of any such right or power will not preclude other or further exercise thereof or the exercise of any other right, and no waiver of Secured Party's rights hereunder will be valid unless in writing and signed by Secured Party, and then only to the extent specified.

Choice Supplier releases Secured Party, its agents, administrators and executors, its officers, employees and agents, of and from any claims for loss or damage resulting from acts or conduct of any or all of them arising through the date hereof, unless caused solely by willful misconduct or gross negligence.

Indemnity:

Choice Supplier agrees to indemnify Secured Party, its directors, officers and employees and each legal entity, if any, who controls Secured Party as applicable (the "Indemnified Parties"), and to hold each Indemnified Party harmless from and against any and all claims, damages, losses, liabilities and expenses (including all fees and charges of external counsel with whom any Indemnified Party may consult and all expenses of litigation or preparation there for) which any Indemnified Party may incur or which may be asserted against any Indemnified Party as a result of the execution of or performance under this Agreement; provided, however, that the foregoing indemnity agreement shall not apply to claims, damages, losses, liabilities and expenses solely attributable to an Indemnified Party's gross negligence or willful misconduct. The indemnity agreement contained in this Section 4.3 shall survive the termination of this Agreement. Choice Supplier may participate at their expense in the defense of any such claim

(C) Indicates Change

**RULES AND REGULATIONS (Continued)**

(C)

**8. FINANCIAL SECURITY (Continued)**

Promptly after receipt by an Indemnified Party under subsection (a) above of notice of the commencement of any action by a third party, such Indemnified Party shall, if a claim in respect thereof is to be made against the indemnifying party under such subsection, notify the indemnifying party in writing of the commencement thereof. The omission to so notify the indemnifying party shall relieve the indemnifying party from any liability which it may have to any Indemnified Party under such subsection only if the indemnifying party is unable to defend such actions as a result of such failure to so notify. In case any such action shall be brought against any Indemnified Party and it shall notify the indemnifying party of the commencement thereof, the indemnifying party shall be entitled to participate therein and, to the extent that it shall wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel satisfactory to such Indemnified Party (who shall not, except with the consent of the Indemnified Party, be counsel to the Indemnified Party).

Notices:

Any notice or request hereunder may be given to Secured Party or Choice Suppliers at their respective addresses set forth below or at such other address as may hereafter be specified in a notice designated as a notice of change of address under this Section 4.4. Any notice, request, demand, direction or other communication (for purposes of this Section 4.4 only, a "Notice") to be given to or made upon any party hereto under any provision of this Agreement shall be given or made by telephone or in writing (which includes by means of facsimile transmission) in accordance with this Section 4.4. Any such Notice must be delivered to the applicable parties hereto at the addresses and numbers set forth below or in accordance with any subsequent unrevoked Notice from any such party that is given in accordance with this Section 4.4. Any Notice shall be effective:

In the case of hand-delivery, when delivered;

If given by mail, four days after such Notice is deposited with the United States Postal Service, with first-class postage prepaid, return receipt requested;

In the case of a telephonic Notice, when a party is contacted by telephone, if delivery of such telephonic Notice is confirmed no later than the next Business Day by hand delivery, a facsimile or electronic transmission, or an overnight courier delivery of a confirmatory Notice (received at or before noon on such next Business Day);

In the case of a facsimile transmission, when sent to the applicable party's facsimile machine's telephone number, if the party sending such Notice receives confirmation of the delivery thereof from its own facsimile machine;

In the case of electronic transmission, when actually received;

If given by any other means (including by overnight courier), when actually received.

If to Secured Party, at: UGI Utilities, Inc.  
2525 North 11<sup>th</sup> Street  
Suite 360  
Reading, PA 19612-2677  
Attn: David E. Lahoff  
Manager, Rates  
Telephone: 610-796-3520  
Facsimile: 610-796-3595

with an additional copy to:

Telephone:  
Facsimile:

(C) Indicates Change

UGI Utilities, Inc.

**RULES AND REGULATIONS (Continued)**

(C)

**8. FINANCIAL SECURITY (Continued)**

If to Choice Supplier, at:

Attention:  
Telephone:  
Facsimile:

with an additional copy to:

Attention:  
Telephone:  
Facsimile:

Modification: No modification hereof or any agreement referred to herein shall be binding or enforceable unless in writing and signed on behalf of the party against whom enforcement is sought.

Signatories: Each individual signatory hereto represents and warrants that he is duly authorized to execute this Agreement on behalf of his principal and that he executes the Agreement in such capacity and not as a party.

Successors and Assigns: This Agreement shall be binding upon and inure to the benefit of Choice Supplier, Agent, all future holders of the Secured Obligations and their respective successors and assigns, except that Choice Supplier may not assign or transfer any of its rights or obligations under this Agreement without the prior written consent of Secured Party.

Waiver of Jury Trial: EACH PARTY TO THIS AGREEMENT HEREBY EXPRESSLY WAIVES ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION (A) ARISING UNDER THIS AGREEMENT OR ANY OTHER INSTRUMENT, DOCUMENT OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HERewith, OR (B) IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE DEALINGS OF THE PARTIES HERETO OR ANY OF THEM WITH RESPECT TO THIS AGREEMENT OR ANY OTHER INSTRUMENT, DOCUMENT OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HERewith, OR THE TRANSACTIONS RELATED HERETO OR THERETO IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER SOUNDING IN CONTRACT OR TORT OR OTHERWISE AND EACH PARTY HEREBY CONSENTS THAT ANY SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION SHALL BE DECIDED BY COURT TRIAL WITHOUT A JURY, AND THAT ANY PARTY TO THIS AGREEMENT MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS SECTION WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENTS OF THE PARTIES HERETO TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY.

Counterparts; Facsimile Signatures. This Agreement may be executed in any number of and by different parties hereto on separate counterparts, all of which, when so executed, shall be deemed an original, but all such counterparts shall constitute one and the same agreement. Any signature delivered by a party by facsimile or electronic transmission shall be deemed to be an original signature hereto.

Capitalized Terms. Capitalized terms not defined herein shall have the meanings given to such terms in the CBS POR Agreement or, as applicable, in the Uniform Commercial Code of the Commonwealth of Pennsylvania (the "UCC").

(C) Indicates Change

UGI Utilities, Inc.

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**RULES AND REGULATIONS (Continued)**

(C)

**8. FINANCIAL SECURITY (Continued)**

**IN WITNESS WHEREOF, the undersigned has executed this Guarantor Security Agreement the day and year first above written.**

**CHOICE SUPPLIER:**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Acknowledged and Accepted:

**UGI UTILITIES, INC.**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

(C) Indicates Change

RECEIVED

MAR 17 2011

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

Re: **Licensing Requirements For Natural Gas Suppliers; *SEARCH Final Order and Action Plan*: Natural Gas Supplier Issues; COMPLIANCE TARIFF FILING OF UGI UTILITIES, INC. – GAS DIVISION** :  
: **Docket No. L-2008-2069115**  
: **I-00040103F0002**  
:  
:  
:

**CERTIFICATE OF SERVICE**

I hereby certify that I have, this 17th day of March, 2011, served a true and correct copy of the foregoing document in the manner and upon the persons listed below in accordance with requirements of 52 Pa. Code § 1.54 (relating to service by a participant):

**VIA FIRST CLASS MAIL:**

Sharon E. Webb  
Assistant Small Business Advocate  
Office of Small Business Advocate  
Commerce Building, Suite 1102  
300 North Second Street  
Harrisburg, PA 17101

James A. Mullins  
Assistant Consumer Advocate  
Tanya J. McCloskey  
Senior Assistant Consumer Advocate  
Office of Consumer Advocate  
555 Walnut Street  
5<sup>th</sup> Floor, Forum Place  
Harrisburg, PA 17101-1923

Johnnie Simms, Director  
Office of Trial Staff  
Pennsylvania Public Utility Commission  
P.O. Box 3265  
Harrisburg, PA 17105-3265

Washington Gas Energy Services, Inc.  
Leah Gibbons, Director,  
Regulatory & Legislative Affairs  
13865 Sunrise Valley Drive, Suite 200  
Herndon, VA 20171

Gateway Energy Services Corp.  
Saul Horowitz  
400 Rella Blvd., Suite 300  
Montebello, NY 10901

Rhoads Energy Corporation  
Michael DeBerdine  
625 South Prince Street  
P.O. Box 1198  
Lancaster, PA 17608

GASMARK – UGI Energy Services, Inc.  
One Meridian Blvd.  
Suite 2C01  
Wyomissing, PA 19610

Hess Corporation  
985 Berkshire Blvd  
Suite 201  
Wyomissing, PA 19610

Shibley Energy  
Robert Iosue  
550 E. King Street  
P.O. Box 946  
York, PA 17405

PEPCO Energy Services, Inc.  
1300 N. 17th St.  
Suite 1600  
Arlington, VA 22209

Atmos Energy Marketing, LLC  
Carter Gaddis  
2000 Warrington, Suite 230  
Louisville, KY 40222

BP Energy Company  
Matt Galosi  
501 Westlake Park Boulevard  
Houston, TX 77079

Columbia Energy Services Corp.  
Meri Claasen  
13880 Dulles Corner Lane  
Herndon, VA 20171

Dominion Peoples Plus d/b/a Dominion  
Energy Solution  
PO Box 298  
Pittsburgh, PA 15230-0298

Equitable Gas Company  
Jerry Moody  
200 Allegheny Center Mall  
Pittsburgh, PA 15212-5352

First Energy Solutions Corp.  
Joeann Shaffer  
341 White Pond Drive  
Akron, OH 44320

Prospect Resources, Inc.  
Dr. Yitzchak Shkop  
8170 McCormick Blvd, Suite 107  
Skokie, IL 60076

Metromedia Energy, Inc.  
Gordon Pozza  
Director of Regulatory Affairs  
6 Industrial Way West  
Eatontown, NJ 07724

CenterPoint Energy Services, Inc.  
Scott Tunnell  
2981 Elizabethtown Rd. , Suite 200  
Hershey, PA 17033

Black Hills Energy Resources, Inc.  
Ted Fritz  
5100 Tilghman Street, Suite 150  
Allentown, PA 18104

Colonial Energy, Inc.  
Frank Cotter  
3975 Fair Ridge Drive  
Suite T-10 North  
Fairfax, VA, 22033

Conectiv Energy Supply, Inc.  
P.O. Box 6066  
Newark, DE 19714-6066

ConocoPhillips Company  
Stephanie Jones  
600 North Dairy Ashford  
Houston, TX 77079

Delta Energy, LLC  
Christine Schroeder  
5200 Blazer Parkway, (DA-3)  
Dublin, OH 43017

Markwest Hydrocarbon, Inc.  
Ronald McGlade  
1515 Arapahoe Street  
Tower Two Suite 1600  
Denver, CO 80202

Equitable Energy  
Patrick Egan  
110 Allegheny Center Mall  
Pittsburgh, PA 15212

Glacial Natural Gas Inc.  
Adam Gusman, Corporate Counsel  
24 Route 6A  
Sandwich, MA 02653

Compass Energy Gas Services, LLC  
George Minor  
95 Highland Avenue, Suite 260  
Bethlehem, PA 18017

ConEdison Solutions, Inc.  
Robert Hansen  
100 Summit Lake Drive  
Valhalla, NY 10595

Constellation New Energy-Gas Division, LLC  
Timothy Landoch  
9960 Corporate Campus Dr., Suite 2000  
Louisville, KY 40223

Direct Energy  
12 Greenway Plaza  
Suite 600  
Houston, TX 77046

Pennsylvania Gas & Electric  
Michelle Mann  
290 North West 165<sup>th</sup> Street PH5  
North Miami Beach, FL 33169

Sempra Energy Trading LLC  
Joe Cattano  
58 Commerce Road  
Stamford, CT 06902

Service, Tech & Research Corp.  
T/A Starcorp Int'l  
Shannon Byham  
P.O. Box 1086  
Dubois, PA 15801

South Jersey Energy Company  
Joseph Rodio  
1 South Jersey Plaza Route 54  
Folsom, NJ 08037

Exelon Energy Company  
Marianne Muntz  
10 South Dearborn Street 37th Floor  
PO Box 805398  
Chicago, IL 60680-5398

I.C. Thomasson Associates, Inc.  
Cliff Foster  
2950 Kraft Drive, Suite 500  
Nashville, TN 37204

Diversified Energy  
J. F. Energy Corporation  
1234B Cloverleaf Road  
Mount Joy, PA 17552

National Fuel Resources, Inc.  
Robert Tullio  
P.O. Box 9074  
Williamsville, NY 14231-9072

On-Demand Energy, Inc.  
John Zbihley  
P.O. Box 869  
300 Corporate Drive, Suite 50  
Moon Township, PA 15108

Petrocom Energy Group LTD  
Ted Fritz  
1330 Post Oak Blvd, Suite 2350  
Houston, TX 77065

NUI Energy Inc  
Sequent Energy Services, Inc.  
550 US Highway 202 206  
Bedminster NJ, 07921-0760

Shell Energy North America (US) LP  
Susan Smith  
909 Fannin Street  
Plaza Level 1  
Houston, TX 77010

ValuSource Energy Services, LLC  
John Morris  
One North Shore  
Pittsburgh, PA 15230

Texon Distributing, L.P., d/b/a Texon L.P.  
Ted Fritz  
11757 Katy Freeway  
Suite 1400  
Houston, TX 77079

Williams Energy Marketing and Trading  
Company  
Sharon Baker  
P O Box 3448 One Williams Center  
Tulsa, OK 74101

Unitil Resources, Inc., d/b/a Usource  
Raymond Morrissey  
6 Liberty Lane West  
Hampton, NH 03842-1720

Sprague Energy Corp.  
Two International Drive  
Suite 200  
Portsmouth, NH 03801

Virginia Power Energy Marketing, Inc.  
Bruce McDaniel  
Dominion Sales and Marketing  
120 Tredegar Street  
Richmond, VA 23219

Greenmountain.com Company  
Kenneth Gokey  
Suite 100  
3815 Capital of Texas Hwys.  
Austin, TX 78704

PPL Energy, LLC  
Scott Porter  
Two North 9th Street  
Allentown, PA 18101

Integrays Energy Service, Inc.  
Darrell Bragg  
300 W. Wilson Bridge Road, #350  
Worthington, OH 43085-2235

Provident Energy Consulting, LLC  
Joseph Solomon  
70 Palmers Mill Road  
Media, PA 19063

Tiger Natural Gas, Inc.  
Deborah Smith  
P.O. Box 702437  
Tulsa, OK 74170

  
\_\_\_\_\_  
Paul J. Szykman

Dated: March 17, 2011

From: (610) 796-3415  
Jennifer Steiner

Origin ID: RDGA



2525 N. 12th Street  
Suite 380  
Reading, PA 19605

J11101012220225

Ship Date: 17MAR11  
ActWgt: 1.0 LB  
CAD: 102443876/NET3130

Delivery Address Bar Code

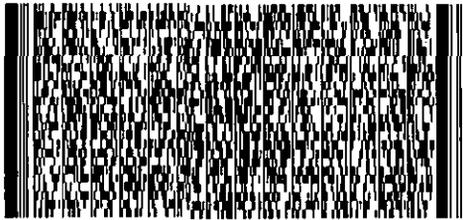


SHIP TO: (717) 783-1740      **BILL SENDER**  
**Ms. Rosemary Chiavetta, Secretary**  
**PA Public Utility Commission**  
**400 NORTH ST**  
**COMMONWEALTH KEYSTONE BUILDING**  
**HARRISBURG, PA 17120**

Ref #      Paul Szykman  
Invoice #  
PO #  
Dept #

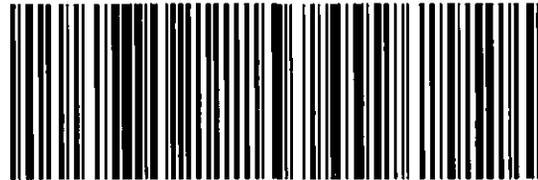
**FRI - 18 MAR A1**  
**STANDARD OVERNIGHT**

TRK#      7968 8184 2764  
0201



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**17120**  
PA-US  
MDT



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