

UGI Utilities, Inc. – Gas Division
Charges Imposed by Parent, Affiliate and Subsidiary Companies

Affiliate	Effective Dates	Docket #	Details
UGI Corporation	May 1992	G-00920296	This Agreement sets forth the terms by which Utilities may provide administrative services to or receive services from Holding Company and its unregulated subsidiaries. These services will be provided on a cost basis.
	July 2003	G-00031008	Arrangement between UGI Utilities, Inc. and UGI Corporation and its subsidiaries under which Utilities would provide pipeline engineering, construction, maintenance and related services to UGI Companies at the higher of market rates or cost.
UGI Energy Services, LLC	April 2004	G-00041075	Affiliate Interest Agreement regarding ground to be leased by UGI Energy Services, LLC from UGI Utilities, Inc. and office space to be leased by UGI Utilities, Inc. from UGI Energy Services, LLC.
	Aug. 2007	G-00970552	This is an Agreement whereby Utilities would buy gas from or sell gas to GASMARK at prevailing market rates.
	March 1999	G-00980646	This Agreement seeks Commission approval whereby Utilities would buy electric generation from Energy Services at below or prevailing market rates, for its own use at facilities throughout its service territories.
Amerigas, Inc.	July 1, 2013 – June 30, 2016		Affiliated Interest Agreement between UGI Utilities, Inc. and Amerigas to support the Gas-Beyond-the-Mains customers.
UGI HVAC	Dec. 2005	G-00051142	Affiliate Interest agreement in which UGI HVAC will reimburse UGIU for allocated costs related to use of space at UGIU facilities.
	Feb. 2007	G-00071217	Affiliated Interest Agreement of UGI Utilities, Inc. with UGI HVAC Services, Inc. and UGI HVAC Enterprises (1) natural gas distribution facility installation, maintenance, testing and repair services and associated equipment (hereafter "Natural Gas Operations Services") and (2) heating, air conditioning, ventilating, plumbing, electric contracting and/or related services and associated equipment from the UGI HVAC Companies at market prices.
	Sep. 2015	G-2015-2496916	Affiliated Interest agreement between UGI Utilities, Inc. and UGI HVAC Enterprises, Inc. for the transfer of utility work vehicles.
United Valley Insurance Co.	June 1993	G-00930344	Affiliate Interest Agreement for insurance coverage through United Valley Insurance Co. Coverage through the affiliate is not mandatory and may be purchased through other independent companies when costs or coverage are more advantageous.

UGI Sunbury, LLC	June 2015	G-2015-2467129	Affiliated Interest Agreement between UGI Utilities, Inc. and UGI Sunbury, LLC regarding the Sunbury Pipeline.
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UGI Corporation Affiliated Interest Agreement G-00920296

PENNSYLVANIA
PUBLIC UTILITY COMMISSION
Harrisburg, PA. 17105-3265

Public Meeting held May 21, 1992

Commissioners Present:

David W. Rolka, Chairman
Joseph Rhodes, Jr., Vice Chairman
Wendell F. Holland, Commissioner

Affiliated Interest Agreement
Between UGI Corporation and
UGI Utilities, Inc.

Docket No.
G-00920296

OPINION AND ORDER

BY THE COMMISSION:

On April 30, 1992, an Affiliated Interest Agreement ("Agreement") was filed between UGI Corporation ("Holding Company") and UGI Utilities, Inc. ("Utilities"), to become effective May 30, 1992.

This Agreement sets forth the terms by which Utilities may provide administrative services to or receive services from Holding Company and its unregulated subsidiaries. These services will be provided on a cost basis.

This Agreement is filed in accordance with the requirements of Section 2102 (b) of the Public Utility Code, 66 Pa. C.S. § 2102 (b).

Investigation and analysis of this Affiliated Interest Agreement indicates that the terms and conditions appear to be reasonable and consistent with the public interest. However, approval of this Agreement does not constitute a determination that the associated costs are reasonable or prudent for purposes of determining just and reasonable rates; **THEREFORE,**

IT IS ORDERED: That the Affiliated Interest Agreement between UGI Corporation and UGI Utilities, Inc. be, and hereby is, approved.

BY THE COMMISSION,


John G. Alford
Secretary

(SEAL)

ORDER ADOPTED: May 21, 1992

ORDER ENTERED: May 21, 1992

UGI Corporation Affiliated Interest Agreement G-00920296



REC'D MAY 22 1992
TMT-600-0045
COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
P.O. BOX 3265, HARRISBURG, PA 17105-3265

May 21, 1992

IN REPLY PLEASE
REFER TO OUR FILE

G-00920296

RICHARD L BUNN
UGI CORPORATION
PO BOX 13009
READING PA 19612-3009

Affiliated Interest Agreement Between
UGI Corporation and UGI Utilities, Inc.

To Whom It May Concern:

This is to advise you that an Opinion and Order has been adopted by the Commission in Public Meeting on May 21, 1992 in the above entitled proceeding.

An Opinion and Order has been enclosed for your records.

Very truly yours,

John C. Alford, Secretary

smk
Encls.
Cert.Mail

UGI Corporation Affiliated Interest Agreement G-00920296

UGI
CORPORATION

Both Copy
BOX 858 VALLEY FORGE PA. 19482 ■ 215-337-1000

April 30, 1992

FEDERAL EXPRESS

The Honorable John G. Alford, Secretary
Commonwealth of Pennsylvania
Public Utility Commission
North Office Bldg., Room B-18
P.O. Box 3265
Commonwealth and North Streets
Harrisburg, PA 17120

Re: Administrative Services Agreement between
UGI Utilities, Inc. and UGI Corporation,
an Affiliated Interest

Dear Secretary Alford:

Enclosed for filing with the Pennsylvania Public Utility Commission ("Commission") pursuant to Section 2102 of the Public Utility Code, 66 Pa.C.S. §2102, are an original and two (2) conformed copies of an Administrative Services Agreement dated May 1, 1992 ("Agreement") between UGI Corporation and UGI Utilities, Inc.

As part of a corporate reorganization pursuant to a Plan of Merger approved by shareholders on April 9, 1992, the former UGI Corporation became a wholly owned subsidiary of New UGI Corporation, a holding company. The reorganization became effective on April 10, 1992. New UGI Corporation changed its name to UGI Corporation and the former UGI Corporation changed its name to UGI Utilities, Inc. In order to avoid potential confusion arising out of the name changes, "new" UGI Corporation is hereafter referred to as "Holding Company" and UGI Utilities is referred to as "Utilities."

Utilities is a public utility subject to the Commission's jurisdiction and is a wholly owned subsidiary of Holding Company. Holding Company is a Pennsylvania corporation and owns all of the outstanding common stock of Utilities. The Agreement sets forth the terms by which Utilities may provide administrative services to or receive services from Holding Company and its unregulated subsidiaries. The administrative services are essentially the same as those historically provided by Utilities to its unregulated subsidiaries prior to the formation of the current holding company structure.

ROUTE 363 AT PENNA. TURNPIKE INTERCHANGE, VALLEY FORGE

UGI Corporation Affiliated Interest Agreement G-00920296

The Honorable John G. Alford, Secretary
April 30, 1992
page 2

The Agreement contemplates that certain of the services formerly provided by Utilities Corporate Headquarters Group may be provided by Holding Company. The method of allocating the costs to be charged for these services is essentially the same as the method traditionally employed by Utilities. This allocation method was reviewed and approved as part of the Commission's Management and Operations Study of Utilities conducted in 1989.

To assist in the Commission's review, the following is a summary of the more significant terms of the Agreement:

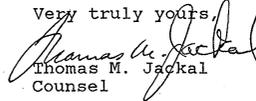
- o The administrative services to be provided by Holding Company after full implementation of the Agreement may include management, finance, pension fund management, internal audit, legal, shareholder relations, human resources, insurance, claims, legal, and similar types of services;
- o The administrative services to be provided by Utilities after full implementation of the Agreement may include information services, payroll, accounts payable, accounting and similar types of services;
- o Utilities and Holding Company will pay to each other the actual cost of the services each receives;
- o Utilities and Holding Company will bill each other for the services each provides on a monthly basis and maintain separate accountability;
- o All services provided by Utilities will be on an "as available" basis to assure that Utilities' provision of such services will not interfere with its obligation to provide gas and electric service to the public.
- o The duties, obligations and liabilities of Utilities and Holding Company are several and not joint or collective, assuring that Utilities will not be responsible for any obligation or liability of Holding Company.

UGI Corporation Affiliated Interest Agreement G-00920296

The Honorable John G. Alford, Secretary
April 30, 1992
page 3

I have enclosed a duplicate copy of this letter and ask that it be stamped as received by your office and returned to me in the enclosed self-addressed stamped envelope. If any additional information is required, please call.

Very truly yours,


Thomas M. Jagkal
Counsel

TMJ/klb

Enclosures

UGI Corporation Affiliated Interest Agreement G-00920296

The Honorable John G. Alford, Secretary
April 30, 1992
page 4

bcc: J. C. Barney
A. S. Becker
A. C. Bullman
R. L. Bunn
M. J. Cuzzolina
R. R. Eynon
W. M. Graff
L. R. Greenberg
D. N. Knipel
C. L. Ladner
J. A. Lubas
S. R. Mauriello
J. A. Sutton
G. W. Westerman

UGI Corporation Affiliated Interest Agreement G-00920296

ADMINISTRATIVE SERVICES AGREEMENT

THIS AGREEMENT made as of this 1st day of May, 1992, between UGI Corporation ("Holding Company"), a Pennsylvania corporation, and UGI Utilities, Inc. ("Utilities"), a Pennsylvania corporation.

WITNESSETH:

WHEREAS, Utilities is a public utility providing natural gas and electric service subject to regulation by the Pennsylvania Public Utility Commission ("Commission") and is a wholly owned subsidiary of Holding Company; and

WHEREAS, Holding Company, under its articles, has unlimited power to engage in any lawful act concerning any lawful business for which corporations may be incorporated under the Pennsylvania Business Corporation Law and was formed for the purpose of separating Utilities' regulated and former unregulated operations; and

WHEREAS, as a part of the transactions related to formation of the holding company organization, Utilities may transfer to Holding Company certain employees of Utilities' former corporate headquarters group for the purpose of providing administrative services to Utilities and unregulated subsidiaries; and

WHEREAS, the parties wish to provide and receive the administrative services under the terms and conditions set forth herein; and

UGI Corporation Affiliated Interest Agreement G-00920296

WHEREAS, under the affiliated interest provisions of the Pennsylvania Public Utility Code ("Code") Holding Company is an affiliated interest of Utilities and any agreement between Holding Company and Utilities for the provision of administrative services must be filed with and approved by the Commission;

NOW THEREFORE, in consideration of the premises and of the mutual covenants of this Agreement and for other valuable consideration, received and acknowledged, and intending to be legally bound hereby, Holding Company and Utilities agree as follows:

1. Services.

(a) Holding Company agrees to provide such administrative services as may from time to time be requested by Utilities. These services may include but are not limited to executive management, finance, pension fund management, internal audit, legal, shareholder relations, human resources, insurance, claims, and similar types of services.

(b) Utilities agrees to provide such administrative services as may from time to time be requested by Holding Company or any of its subsidiaries on an "as available" basis. These services may include but not limited to information services, payroll, accounts payable, accounting and similar types of services.

2. Payment etc..

(a) Each party shall pay to the party providing the administrative services pursuant to Section 1, the actual cost

UGI Corporation Affiliated Interest Agreement G-00920296

of providing such services. In this regard, the party providing the services shall provide monthly to the party receiving the services an invoice and written documentation of the cost of providing the services pursuant to Section 1; the invoice shall be due and payable within 30 days after its receipt. When it is not reasonably possible or practical to determine actual costs, the parties may substitute allocation factors for actual costs.

(b) All such costs incurred by one party on behalf of the other (i) shall become the liability of the party receiving the services when incurred by the party providing the service, (ii) shall be determined in accordance with generally accepted accounting principles and (iii) shall include reasonable and appropriate indirect costs including overhead, as set forth on Attachment 1 to this Agreement.

(c) Holding Company may assume any liability of Utilities.

(d) Where Holding Company assumes any benefit, compensation, retirement or other similar plan of Utilities, Utilities may from time to time make payments to Holding Company in amounts not to exceed the payments Utilities would have been required to make at those times to beneficiaries under such plans had the plans not been assumed.

3. Agency.

(a) All services, materials, equipment and supplies purchased by Utilities at the request of Holding Company shall be purchased by Utilities on behalf of and as agent for

UGI Corporation Affiliated Interest Agreement G-00920296

Holding Company. In that regard, Holding Company hereby appoints Utilities as its agent, and Utilities agrees as its agent to negotiate, execute and enforce contracts (including purchase order contracts) providing for the purchase of services, materials, equipment and supplies. Each such contract shall be made in the name of Holding Company and shall, among other things, provide that Utilities shall be agent for Holding Company concerning the administration of the contract and that performance of the contract shall be for the account of, title to all property acquired thereunder shall vest in, and charges therefor shall be paid by Holding Company.

(b) All services, materials, equipment and supplies purchased by Holding Company at the request of Utilities shall be purchased by Holding Company on behalf of and as agent for Utilities. To the extent permitted by law and without delegating any of its public service obligations, Utilities hereby appoints Holding Company as its agent, and Holding Company agrees as Utilities' agent to negotiate, execute and enforce contracts (including purchase order contracts) providing for the purchase of services, materials, equipment and supplies. Each such contract shall be made in the name of Utilities and shall, among other things, provide that Holding Company shall be agent for Utilities concerning the administration of the contract and that performance of the contract shall be for the account of, title to all property acquired thereunder shall vest in, and charges therefor shall be paid by Utilities.

UGI Corporation Affiliated Interest Agreement G-00920296

4. Subsidiary Participation. Holding Company as used herein includes all subsidiary companies of UGI Corporation other than UGI Utilities, Inc.

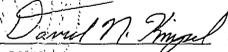
5. Obligations Several. The duties, obligations and liabilities of Holding Company and Utilities under this Agreement are intended to be several and not joint or collective, and nothing in this Agreement shall ever be construed to create an association, joint venture, trust or partnership, or to impose a trust or partnership duty, obligation or liability on or with regard to any of the parties. Each party shall be individually responsible for its own obligations as herein provided. No party shall be under the control of or shall be deemed to control the other party solely by virtue of this Agreement. No party shall have a right or power to bind another party without its express written consent, except as expressly provided in this Agreement.

6. Termination. Any party shall have the right at any time to terminate this Agreement upon ninety (90) days written notice of its election to do so.

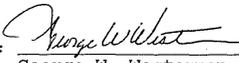
UGI Corporation Affiliated Interest Agreement G-00920296

7. Regulatory Approval. This Agreement is subject to the approval of the Commission, and shall be immediately effective upon receipt of such approval.

ATTEST:


DAVID N. KNIPEL, SECRETARY

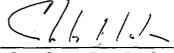
UGI CORPORATION

By: 
George W. Westerman
Senior Vice President -
Administration

ATTEST:


DAVID N. KNIPEL, SECRETARY

UGI UTILITIES, INC.

By: 
Charles L. Ladner
Vice President

UGI Corporation Affiliated Interest Agreement G-00920296

Attachment 1

Each party receiving the benefit of the administrative services shall pay the actual cost of the services provided. The cost of these administrative services will be allocated using a two-step process:

- o Direct Charge - If charges can reasonably be determined to benefit only one particular party they will be charged directly to that organization.
- o Allocation - If charges benefit more than one party, but a reasonable separation of the charges cannot be readily made, they will be allocated to applicable organizations based upon predetermined formulas.

UGI Corporation Affiliated Interest Agreement (Engineering Services) G-00031008



COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
P.O. BOX 3265, HARRISBURG, PA 17105-3265

JULY 1, 2003

IN REPLY PLEASE
REFER TO OUR FILE

G-00031008

Received

JUL 03 2003

MCM

UGI UTILITES INC
460 NORTH GULPH RD
KING OF PRUSSIA, PA 19406

ATTENTION: MARK C MORROW
Counsel for UGI Utilities, Inc. – Gas Division

Re: Affiliated Interest Agreement Between UGI Utilities, Inc. and UGI Corporation and
its Subsidiaries

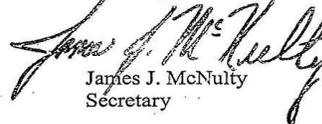
Dear Mr. Morrow:

On April 29, 2003, UGI Utilities, Inc. ("Utilities") filed an Affiliated Interest Agreement with the Commission. This Agreement between Utilities and UGI Corporation and its subsidiaries (collectively "UGI Companies") is filed in accordance with the requirements of Section 2102(b) of the Public Utility Code, 66 Pa. C.S. §2102(b). On May 22, 2003, the Commission extended the period for consideration of this Agreement until further order of the Commission. Under the Agreement, Utilities would provide pipeline engineering, construction, maintenance and related services to UGI Companies at the higher of market rates or cost.

Upon review of the Company's filing, it does not appear that this filing is unreasonable or contrary to the public interest. Therefore, this filing is hereby approved. However, approval of this filing does not constitute a determination that such filing is consistent with the public interest. Furthermore, the Commission's approval is contingent upon the possibility that subsequent audits, reviews, and inquiry, in any Commission proceeding, may be conducted, pursuant to 66 Pa. C.S. §§2102, et seq.

In addition, this approval will apply only to the agreement(s), service(s), matters, and parties specifically and clearly defined under this instant filing as well as under any associated and previous filings.

Sincerely,


James J. McNulty
Secretary

Cc: Kerry Klinefelter, FUS
Janet Patrick, Secretary's Bureau

UGI Corporation Affiliated Interest Agreement (Engineering Services) G-00031008



April 25, 2003

James J. McNulty, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120

UGI Utilities, Inc.
460 North Gulph Road
King of Prussia, PA 19406
Post Office Box 858
Valley Forge, PA 19482-0858
(610) 337-1000 Telephone
(610) 992-3258 Fax

Re: Affiliated Interest Filing of UGI Utilities, Inc., Docket No. _____

Dear Secretary McNulty:

Pursuant to Section 2102 of the Public Utility Code (and in particular subsections 2102 (a) and (b)), I submit for the Commission's approval an original and three copies of a proposed arrangement between UGI Utilities, Inc. ("Utilities") and UGI Corporation and its subsidiaries (collectively "UGI Companies") under which Utilities would provide pipeline engineering, construction, maintenance and related services at to UGI Companies at the higher of market rates or cost. Attached as "Appendix A" hereto in an organization chart showing the corporate relationship between Utilities and the UGI Companies.

Utilities is a certificated natural gas distribution company serving portions of central and eastern Pennsylvania, and a wholly owned subsidiary of UGI Corporation ("Holding Company"). Other principal subsidiaries of Holding Company are UGI Enterprises, Inc. and Amerigas, Inc. Subsidiaries of UGI Enterprises, Inc. are principally engaged in energy marketing, HVAC services and propane distribution outside of the United States. Amerigas, Inc., through its subsidiaries, operates the largest propane distributor in the United States (collectively "Amerigas").

From time-to-time, UGI Companies may have the need to have pipelines engineered, constructed and/or maintained. For example, Amerigas, on occasion, may need to engineer, construct and/or maintain propane pipeline facilities, either for itself or for clients. Certain UGI Enterprises, Inc. companies may also have the need, or opportunity, to construct, operate or maintain pipeline facilities.

Utilities, in turn, has the expertise necessary to provide such services. By providing Utilities with the opportunity to compete to provide such services, Utilities may be able to more efficiently use its engineering and operations work force, and provide potential opportunities for professional development that may enable Utilities to attract and maintain talented employees..

Utilities understands and acknowledges that the Commission's approval of this affiliated interest arrangement would not preclude the Commission from investigating, during any formal proceeding, the reasonableness of any charges under the agreement.

UGI Corporation Affiliated Interest Agreement (Engineering Services) G-00031008

Should you have any questions concerning this filing, please feel free to contact me.

Very truly yours,



Mark C. Morrow

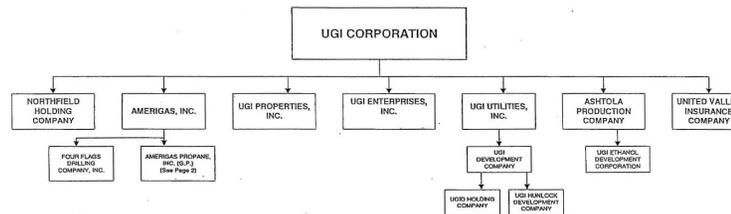
Counsel for UGI Utilities, Inc. – Gas Division

cc: V.Ebner
P.Terranova

UGI Corporation Affiliated Interest Agreement (Engineering Services) G-00031008

APPENDIX A

UGI Corporation Affiliated Interest Agreement (Engineering Services) G-00031008

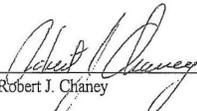


01/08/03

UGI Corporation Affiliated Interest Agreement (Engineering Services) G-00031008

AFFIDAVIT

ROBERT J. CHANEY, deposes and says that he is President and Chief Executive Officer for UGI Utilities, Inc. - Gas Division; that he is duly authorized to and does make this Affidavit on its behalf; that the facts set forth in the foregoing document are true and correct to the best of his knowledge information and belief, and that this Affidavit is made subject to the penalties of 18 Pa.C.S. §4904 (relating to unsworn falsification to authorities).



Robert J. Chaney

UGI Energy Services Affiliate Interest Agreement G-00041075

COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
P.O. BOX 3265, HARRISBURG, PA 17105-3265

IN REPLY PLEASE
REFER TO OUR FILE

OCTOBER 20, 2004

G-00041075

MARK C MORROW
UGI UTILITIES INC
460 NORTH GULPH ROAD
KING OF PRUSSIA PA 19406

Re: Affiliated Interest Agreement between UGI Utilities, Inc. and
UGI Energy Services, Inc.

Dear Mr. Morrow:

On August 6, 2004, UGI Utilities, Inc. ("UGI") and UGI Energy Services, Inc. ("Energy Services") filed an Affiliated Interest Agreement. This agreement is filed in accordance with the requirements of Section 2102(b) of the Public Utility Code, 66 Pa. C.S. §2102(b). On August 16, 2004, the Commission extended the period for consideration of this Agreement until further order of the Commission.

The Agreement relates to certain ground Energy Services would lease from UGI and certain office space that UGI would lease from Energy Services.

Upon review of the companies' filing, it does not appear that this filing is unreasonable or contrary to the public interest. Therefore, this filing is hereby approved. However, approval of this filing does not constitute a determination that such filing is consistent with the public interest, and that the associated costs or expenses are reasonable or prudent for the purposes of determining just and reasonable rates. Furthermore, the Commission's approval is contingent upon the possibility that subsequent audits, reviews, and inquiry, in any Commission proceeding, may be conducted, pursuant to 66 Pa. C.S. §§2102, *et seq.*

In addition, this approval will apply only to the agreement(s), service(s), matters, and parties specifically and clearly defined under this instant filing as well as under any associated and previously filed filings.

Sincerely,

James J. McNulty
Secretary

cc: Kerry Klinefelter, FUS
Scott Rhodes, Secretary's Bureau



UGI Utilities, Inc.
460 North Gulph Road
King of Prussia, PA 19406
Post Office Box 858
Valley Forge, PA 19482-0858
(610) 337-1000 Telephone
(610) 992-3259 Fax

VIA EXPRESS MAIL

James J. McNulty, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120

Re: Affiliated Interest Filing of UGI Utilities, Inc.
UGI Energy Services Affiliate Interest Agreement G-00041075
Docket No. _____

Dear Secretary McNulty:

Pursuant to Section 2102(a) and (b) of the Public Utility Code, 66 Pa.C.S. §2102(a) and (b), UGI Utilities, Inc. ("UGI Utilities") submits for the Commission's approval a proposed arrangement whereby UGI Utilities would lease to its affiliate, UGI Energy Services, Inc. ("Energy Services"), certain ground located in Bethlehem, Reading and Swatara Township, Pennsylvania, and would lease from Energy Services certain office space located in Ontelaunee Township, Pennsylvania.

In Pennsylvania Public Utility Commission v. UGI Utilities, Inc. – Gas Division, Docket No. R-00994786 (Order entered March 14, 2001), the Commission approved a Stipulation in Settlement resolving certain outstanding issues in UGI Utilities' gas restructuring proceeding. A copy of the Commission's March 14, 2001 Order and the associated Stipulation in Settlement is attached as Exhibit A hereto.

Under the approved Stipulation in Settlement UGI Utilities agreed, amongst other things, to greatly expand its customer assistance programs. The Stipulation in Settlement also authorized, subject to final Commission approval of an application filed under Section 1102 of

UGI Energy Services Affiliate Interest Agreement G-00041075

the Public Utility Code, the transfer of certain liquefied natural gas ("LNG") and propane/air peaking assets from UGI Utilities to an unregulated affiliate at net book value. In connection with this transfer, UGI agreed to conduct a request for proposal ("RFP") for peaking services having the same level of firmness and reliability as that provided by the transferred peaking facilities. If the RFP did not produce a lower price, UGI had the right to purchase peaking services from its affiliate at a cost of \$1.65 million per year plus commodity costs for a three-year period. UGI also agreed to implement a permanent \$1.65 million per year reduction in its base rates in conjunction with the transfer. Following the three-year transition period, UGI was authorized "to purchase peaking services from its affiliate at market-based rates, consistent with UGI's then existing least cost fuel procurement obligations."

Subsequently, in Application of UGI Utilities, Inc. for approval of the transfer of Peaking Assets in accordance with the terms of its restructuring Settlement Agreement, Docket No. A-123100F0028 (Corrected Order entered May 29, 2001), the Commission approved the transfer from UGI Utilities to Energy Services of (1) a LNG facility and associated equipment, inventory, fuel inventory and land located in Ontelaunee Township, Pennsylvania and (2) three propane/air facilities, associated inventory and fuel inventory located in Bethlehem, Reading and Swatara Township, Pennsylvania (collectively the "Peaking Assets"). UGI Utilities retained the land upon which the three propane/air facilities are located. A copy of the Commission's Corrected Order is attached as Exhibit B hereto.

The Peaking Assets were subsequently transferred, UGI Utilities implemented the contemplated \$1.65 million base rate reduction and, after conducting an RFP for peaking services that did not produce a lower priced offer, entered into a three-year peaking services agreement with Energy Services for \$1.65 million per year plus commodity costs. That three year peaking

UGI Energy Services Affiliate Interest Agreement G-00041075

services agreement ended as of March 31, 2004, and UGI has now conducted an RFP and agreed to acquire peaking services from Energy Services at market-based rates beginning with its 2004-2005 heating season.

Meanwhile, after the events of September 11, 2001, UGI Utilities agreed, in response to concerns raised about the security of Energy Services' LNG storage facility, to relocate its gas control center to a portion of an Energy Services' building located at that site so that it could be staffed at all times, and reported this fact to Commission safety personnel.

Now that the initial three-year transition period peaking services arrangement has been completed, and UGI Utilities will be acquiring peaking services at market-based prices, UGI Utilities wishes to enter into leases with Energy Services for the space occupied by each at the facilities of the other. Specifically, conditioned on the Commission's prior approval of this affiliated interest arrangement, UGI Utilities, as tenant, shall enter into a lease for the office space it occupies at the LNG facility under which it would pay to Energy Services an annual rental fee of twenty-eight thousand sixty-five dollars (\$28,065), for the period commencing April 1, 2004. The annual rental fee was determined by multiplying the square footage of space occupied by UGI Utilities by \$15/square foot, and is reflective of the lower range of office prices in the area. The per square foot rental fee may be adjusted annually by an amount no greater than the increase or decrease in the producer price index. In addition, the total rental amount may be adjusted to reflect increases or decreases in the portion of the office building utilized by UGI Utilities.

In turn, conditioned on the Commission's approval of this affiliated interest agreement, for the period commencing April 1, 2004, Energy Services shall pay to UGI Utilities, as landlord, shall enter into a lease(s) for the land occupied by Energy Services' peak shaving facilities under

UGI Energy Services Affiliate Interest Agreement G-00041075

which Energy Services would pay to UGI Utilities an annual rental fee of fifteen thousand seven hundred fifty-five dollars (\$15,755) for the property its peaking facilities utilize in Bethlehem, three thousand three hundred ninety-eight dollars (\$3,398) for the property its peaking facilities utilize in Reading, and ten thousand three hundred thirteen dollars (\$10,313) for the property its peaking facilities utilize in Swatara Township. These proposed rental fees reflect current land rental values in the areas where the propane/air facilities are located. The per square foot rental fees may be adjusted annually by an amount no greater than the increase or decrease in the producer price index. In addition, the total rental amount may be adjusted to reflect increases or decreases in the portions of the three properties utilized by Energy Services.

In connection with the execution of standard commercial leases, Utilities and Energy Services may also commit to commercially reasonable terms addressing taxes, utilities, maintenance, indemnification, rights and obligations with respect to improvements, eminent domain, restitution for property damage and other associated matters.

UGI Utilities understands and acknowledges that the Commission's approval of this affiliated interest agreement would not preclude the Commission from investigating, in any future proceeding, the reasonableness of any charges under this arrangement.

Should you have any questions concerning this filing, please feel free to contact me.

Very truly yours,



Mark C. Morrow

Counsel for UGI Utilities, Inc.

Dated August 6, 2004

UGI Energy Services Affiliate Interest Agreement G-00041075

AFFIDAVIT

VICKI O. EBNER, deposes and says that she is Vice President - Marketing and Gas Supply for UGI Utilities, Inc. - Gas Division; that she is duly authorized to and does make this Affidavit on its behalf; that the affiliated interest arrangement summarized in the foregoing document are true and correct to the best of her knowledge information and belief, and that this Affidavit is made subject to the penalties of 18 Pa.C.S. §4904 (relating to unsworn falsification to authorities).


Vicki O. Ebner

UGI Energy Services Affiliate Interest Agreement G-00041075

EXHIBIT A

UGI Energy Services Affiliate Interest Agreement G-00041075



COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
P.O. BOX 3265, HARRISBURG, PA 17105-3265

March 14, 2001

IN REPLY PLEASE
REFER TO OUR FILE

R-00994786

MARK C MORROW ESQUIRE
UGI UTILITIES INC-GAS DIVISION
100 KACHEL BLVD SUITE 400
P O BOX 12677
READING PA 19612-2677

MAR 16 2001

MCM

Pennsylvania Public Utility Commission
v.
UGI Utilities, Inc. – Gas Division

To Whom It May Concern:

This is to advise you that the Commission in Public Meeting on March 8, 2001 has adopted an Order in the above entitled proceeding.

An Order has been enclosed for your records.

Very truly yours,

James J. McNulty
Secretary

law
encls
cert. mail

UGI Energy Services Affiliate Interest Agreement G-00041075

PENNSYLVANIA
PUBLIC UTILITY COMMISSION
Harrisburg, PA 17105-3265

MAR 16 2001



Public Meeting held March 8, 2001

Commissioners Present:

John M. Quain, Chairman
Robert K. Bloom, Vice Chairman
Nora Mead Brownell
Aaron Wilson, Jr.
Terrance J. Fitzpatrick

Pennsylvania Public Utility Commission

R-00994786

v.

UGI Utilities, Inc. – Gas Division

ORDER

BY THE COMMISSION:

By Order entered June 29, 2000, the Commission referred various UGI Customer Assistance Program issues to the Office of Administrative Law Judge for mediation and possible resolution. The parties submitted a "Stipulation In Settlement" of those issues for our review. We find that the Stipulation, as clarified by the letter of counsel dated February 5, 2001, is in the public interest and we accept it as an appropriate resolution; THEREFORE,

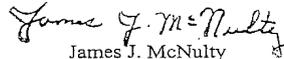
IT IS ORDERED:

1. That the Stipulation In Settlement submitted by the parties is hereby approved, as filed and without modification, to be effective in accordance with the provisions at subparagraph 12.e of the stipulation.

UGI Energy Services Affiliate Interest Agreement G-00041075

2. That UGI Utilities, Inc. – Gas Division is hereby authorized to file a tariff supplement implementing the base rate reduction agreed to in the settlement, to be effective on one day's notice.

BY THE COMMISSION,


James J. McNulty
Secretary

(SEAL)

ORDER ADOPTED: March 8, 2001

ORDER ENTERED: **MAR 8 4 2001**

UGI Energy Services Affiliate Interest Agreement G-00041075

One Commerce Square
417 Walnut Street
Harrisburg, PA 17101-1904
717-237-4000
Fax: 717-237-4004

February 5, 2001

Morgan, Lewis
& Bockius LLP
C O U N S E L O R S A T L A W

FEB 09 2001

MCN

VIA HAND DELIVERY

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

**Re: Pennsylvania Public Utility Commission v. UGI Utilities,
Inc. - Gas Division, Docket No. R-00994786**

Dear Secretary McNulty:

On January 29, 2001, a Stipulation in Settlement was filed in the above-referenced proceeding. It has been brought to our attention that there was a misstatement made in the "Conclusion" section of the Stipulation.

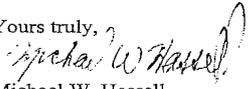
Item 3 of Section VII Conclusion requests that the Pennsylvania Public Utility Commission ("Commission") "[a]pprove the tariff supplement attached to this Stipulation." This statement was incorrect, because there was no tariff supplement attached to the Stipulation. Instead, this paragraph should read as follows:

"3. Authorize UGI Utilities, Inc. - Gas Division to file a tariff supplement implementing the base rate reduction agreed to in this Stipulation, to be effective on one day's notice."

This is consistent with the procedures described in Paragraph 12.c. of the Stipulation.

We apologize for any confusion this may have caused.

Yours truly,


Michael W. Hassell
Counsel for UGI Utilities, Inc. -
Gas Division

cc: Service List

1-HA/92548 Philadelphia Washington New York Los Angeles Miami Harrisburg Pittsburgh Princeton
London Brussels Frankfurt Tokyo Singapore Jakarta (Associated Office)

UGI Energy Services Affiliate Interest Agreement G-00041075

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission,	:	
	:	
Petitioner	:	
	:	Docket No. R-00994786
v.	:	
	:	
UGI Utilities, Inc. – Gas Division,	:	
	:	
Respondent	:	

STIPULATION IN SETTLEMENT

I. INTRODUCTION

1. UGI Utilities, Inc.-Gas Division (“UGI”), the Office of Consumer Advocate (“OCA”), and the Commission on Economic Opportunity (“CEO”) (collectively the “Joint Petitioners”), parties to the above-captioned proceeding, request the Pennsylvania Public Utility Commission (“Commission”) to approve this Stipulation and issue appropriate orders implementing its terms in accordance with the procedures outlined below.¹

2. In summary, the Stipulation provides for final resolution of all outstanding issues in UGI’s gas restructuring proceeding. The major terms of the Stipulation include a significant expansion of UGI’s CAP program, changes in the CAP program design to encourage customer participation, the establishment of a CAP Advisory Committee, a revision to credit and collection policies for CAP customers, implementation of a low-income solar pilot program, the retention of CEO as the community-based-organization

¹ Attached as Appendix A hereto is a letter from the UGI Industrial Intervenor indicating that they do not oppose this Stipulation In Settlement. Attached as Appendix B hereto is a letter from the Office of Small

UGI Energy Services Affiliate Interest Agreement G-00041075

for the Company's Hazleton area service territory, provisions for funding the CAP program expansion, and the transfer of certain peaking facilities from UGI to an unregulated affiliate, with an associated base rate reduction and provision for an RFP for peaking service. For the reasons set forth below, the Joint Petitioners believe that this Stipulation is just and reasonable and in the public interest and ask the Commission to approve it on an expedited basis.

II. BACKGROUND

3. In accordance with the requirements of the Natural Gas Choice and Competition Act, 66 Pa.C.S. Chapter 22 (the "Competition Act"), and the schedule established by Commission Order, UGI filed its Gas Restructuring Plan on October 1, 1999. This filing dealt with numerous issues, including rate unbundling and realignment procedures for assigning capacity to natural gas suppliers, the establishment of rules for customer choice, cost deferral and recovery, customer education, and universal service issues.

4. The Commission thereafter assigned UGI's restructuring filing to Administrative Law Judge Cynthia Williams Fordham (the "ALJ") for hearings and issuance of a Recommended Decision. Numerous parties intervened and actively participated in the proceeding.

5. After discovery, hearings, testimony, and briefing, the ALJ issued her Recommended Decision on April 5, 2000, which adopted UGI's position on most issues. With respect to CAP issues, however, the Recommended Decision found that UGI had

Business Advocate indicating that it does not oppose this Stipulation In Settlement.

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failed to file a "needs assessment" of universal service requirements and recommended that universal service issues be deferred for resolution in a future proceeding.

6. On June 29, 2000, the Commission entered its final Opinion and Order (the "June 29 Order"). With respect to CAP issues, the Commission determined that it had the requisite legal authority to order mandatory CAP programs, directed UGI to file a universal service "needs assessment," and directed the parties to mediate certain issues regarding the scope and magnitude of UGI's CAP program.

7. On July 14, 2000, UGI filed a Petition for Reconsideration of the Commission's June 29 Order. Also on July 14, 2000, the OCA filed a Petition for Clarification of the Commission's June 29 Order. UGI and CEO thereafter filed petitions for review of the Commission's June 29 Order with the Commonwealth Court.

8. On July 20, 2000, the Commission granted UGI's Petition for Reconsideration and the OCA's Petition for Clarification, pending further consideration of the merits. The Commonwealth Court thereafter struck UGI's and CEO's appeals pursuant to Pennsylvania Rule of Appellate Procedure 1701(b)(3), without prejudice to refile after the Commission's final Order on Reconsideration.

9. On August 18, 2000, the Commission entered its final Order on the underlying merits of UGI's Petition for Reconsideration and OCA's Petition for Clarification. Thereafter, UGI and CEO refiled their petitions for review of the Commission's June 29 Order.

UGI Energy Services Affiliate Interest Agreement G-00041075

10. Throughout the latter part of 2000, the Joint Petitioners engaged in ongoing settlement negotiations in an effort to resolve these proceedings without further litigation. Those negotiations resulted in the instant Stipulation.

UGI Energy Services Affiliate Interest Agreement G-00041075

III. TERMS AND CONDITIONS OF THE SETTLEMENT

11. The Joint Petitioners agree to settle all outstanding issues in UGI's gas restructuring proceeding, as follows:

a. **Expansion of UGI's CAP Program.** UGI will ramp up its CAP to a targeted level of 4000 participants by the end of 2003. The ramp up will target an increase of 1000 customers per year, and will be considered to have met its target of 4000 participants if it reaches the targeted enrollment level at any time prior to the end of 2003.

b. **CAP Program Design Changes**

(1) UGI will remove the requirement that low-income customers on payment arrangements must have at least a \$200 arrearage to participate in UGI's CAP.

(2) UGI will accept automatic enrollment of any customer who has defaulted on one or more payment arrangements within the past year and has received a LIHEAP payment within the past year provided that UGI receives from the Pennsylvania Department of Public Welfare ("DPW") or the customer current income verification and the customer consents to being enrolled in CAP.

(3) UGI will enter into discussions with appropriate agencies to explore the practicality and feasibility of providing income verification for the purpose of automatic enrollment.

(4) UGI will not consider non-cash income such as housing subsidies, food stamps, etc. in determination of income.

UGI Energy Services Affiliate Interest Agreement G-00041075

c. CAP Advisory Committee

(1) UGI will establish a universal service advisory committee, which will meet no less than twice a year. The universal service advisory committee will solicit input, as appropriate, from OCA and the Commissioner's Bureau of Consumer Services ("BCS") as part of this process. The purpose of this advisory committee is to facilitate an exchange of information between committee members and the Company. The universal service advisory committee will not file formal reports with the Commission.

(2) The Company will continue to file its CAP-related reports to the Commission and be subject to periodic Commission audits.

d. CAP Credit and Collection Policies

(1) If a CAP participant is not current on his or her CAP bills for at least two consecutive billing cycles, he or she will remain in CAP, but will temporarily not be eligible for the CAP rate. The participant may negotiate a payment arrangement at the current non-CAP budget bill amount plus some contribution towards the CAP arrearage. The non-CAP arrearage, to the extent it was not forgiven, will be reinstated.

(2) UGI will track payments made by participants under such payment arrangements in excess of the non-CAP budget bill amount. When such payments recouped the outstanding CAP arrearage, the participant will once again be

UGI Energy Services Affiliate Interest Agreement G-00041075

billed under the CAP rate and their non-CAP arrearages will once more become subject to the arrearage forgiveness provisions of UGI's CAP.

(3) If a CAP participant is not current on his or her CAP bills for at least two consecutive billing cycles, and does not negotiate a payment arrangement in the manner described above or does not live up to such a negotiated payment arrangement, the participant will remain in CAP but will be billed at the normal retail rate. The participant will also have non-CAP arrearages reinstated to the extent that they had not been forgiven under CAP and will be subject to the normal termination procedures applicable to non-CAP customers.

e. **Solar Pilot.** UGI will implement a one time \$50,000 low-income solar pilot program, and CEO shall operate the program.

f. **Community Based Organizations.** UGI will engage CEO, at usual and customary rates and terms, to be the administering Community Based Organization ("CBO") for its Low Income Usage Reduction Program ("LIURP") and its CAP in the Hazleton area, an area that currently does not have an administering CBO.

g. **Program Funding**

(1) UGI will be permitted to recover, through a combination of available OPEB funding and, if necessary, base rate increases, \$1 million per year during the first two years of the ramp up, and \$1.5 million per year thereafter, to cover incremental CAP costs. UGI will retain records of amounts redirected from OPEB

UGI Energy Services Affiliate Interest Agreement G-00041075

funding, and will produce such records upon request at the time of its next general base rate proceeding.

(2) In year three and thereafter, however, UGI's CAP funding level shall be decreased by \$333 multiplied by the number of CAP participants it is short of the targeted 3,000 incremental participation level, up to 1500, and by \$667 multiplied by the number of CAP participants between 1501 and 3,000 it is short of the targeted 3,000 incremental participation level. UGI shall also meet with the CAP Advisory Committee to discuss and exchange information pertaining to the reasons why it did not reach the 3,000 incremental target.

(3) To the extent that the redirected OPEB funding currently contained in UGI's base rates is insufficient to cover the funding amounts discussed above, UGI shall be permitted to adjust the base rates of its residential classes to recover the deficiency. At least sixty (60) days prior to the effective date of this rate change, however, UGI will provide the OCA with a copy of an actuarial study showing the amount of OPEB funds projected to be available for redirection, and the OCA will be free to challenge the accuracy of the actuarial study and, to the extent that challenge is sustained by the Commission, the level of UGI's base rate adjustments to the residential classes may be modified accordingly.

(4) The funding mechanisms discussed above will remain in effect until UGI's next general base rate case. The fact that OPEB funding (that may or may not be allocated to several rate classes under the "black box" terms of the settlement of UGI's last general base rate case) is redirected to fund CAP expenditures, or

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adjustments to the base rates of the residential classes are made to fund CAP expenditures pursuant to this agreement, shall not constitute an admission against or prejudice to any position that any party may take in the Company's next general base rate case concerning how CAP or OPEB funding costs are to be allocated prospectively.

(5) UGI's solar pilot program shall be funded from LIURP funds, and UGI shall endeavor to spread the pilot program costs over at least two years.

h. Peaking Facilities

(1) The terms of this agreement are contingent upon the Commission granting all necessary approvals and issuing all necessary certificates and orders authorizing UGI to transfer its liquefied natural gas and propane/air facilities (the "Peaking Facilities") to an unregulated affiliate at net book value.

(2) UGI will reduce its base rate by \$1.65 million in connection with the transfer of the Peaking Facilities.

(3) In connection with the transfer of its Peaking Facilities, UGI shall conduct a request for proposal ("RFP") for peaking services having the same level of firmness and reliability as that provided by the transferred Peaking Facilities for a three-year period following the transfer. The award of a peaking service contract pursuant to the RFP may be reviewed in the next annual Section 1307(f) filing of UGI following the award to determine if the contract is consistent with the least cost fuel procurement obligations of UGI under Sections 1307(f) and 1318 of the Public Utility

UGI Energy Services Affiliate Interest Agreement G-00041075

Code. If the contract is deemed to meet these obligations, the OCA shall not challenge the contract in subsequent Section 1307(f) proceedings.

(4) If this RFP does not produce an offer to provide peaking services having the same level of firmness and reliability as that provided by the Peaking Facilities at a cost equal to or less than \$1.65 million per year plus commodity costs for the three-year period, UGI shall have the right to acquire peaking services from its unregulated affiliate at a rate of \$1.65 million per year plus commodity costs, with "commodity costs" defined as the weighted average cost of the fuel in the facility plus facility fuel use, for the three-year period.

(5) Three years following the transfer, UGI shall be permitted to purchase peaking services from its affiliate at market-based rates, consistent with UGI's then existing least cost fuel procurement obligations.

**IV. PROCEDURES FOR IMPLEMENTATION
AND APPROVAL OF THIS STIPULATION**

12. The Joint Petitioners propose the following process for Commission review and approval of this Stipulation and entry of appropriate Orders:

a. The Stipulation will be filed with the Commission and served on all active parties to UGI's restructuring proceeding.

b. Within ten days of the filing of the Stipulation with the Commission, UGI and CEO will file with the Commonwealth Court applications to continue their appeals pending before the Court and asking the Court to issue an order, pursuant to Pennsylvania Rule of Appellate Procedure 1701(b)(5), authorizing the

UGI Energy Services Affiliate Interest Agreement G-00041075

Commission to consider and rule on the Stipulation and enter all necessary orders to implement the Stipulation.

c. Upon issuance of the above-referenced Commonwealth Court order, or such other relief which permits the Commission to act and preserves the appellate rights of UGI and CEO, the Commission will rule on the Stipulation. If the Commission approves the Stipulation, it will issue an order, to be effective in accordance with the provisions of subparagraph (e), below, approving the Stipulation as filed without modification and authorizing UGI to file a tariff supplement implementing the base rate reduction agreed to in this Stipulation to be effective on one day's notice.

d. Within ten days after the Commission's approval of this Stipulation without modification, UGI will file an application for a certificate of public convenience authorizing UGI to transfer its Peaking Facilities to an unregulated affiliate in accordance with the terms and conditions of the Stipulation. Copies of this application will be served on all active parties to UGI's gas restructuring proceeding. The Joint Petitioners agree that they will not oppose UGI's application, or any associated request for an expedited decision by the Commission.

e. The rights and obligations of the Joint Petitioners under this Stipulation and the Commission's Order approving the Stipulation shall not become effective unless and until: (1) the Commission has issued an order granting UGI's above-referenced Application for a Certificate of Public Convenience; and (2) the time period for judicial review of the Commission's order approving the Stipulation and the

UGI Energy Services Affiliate Interest Agreement G-00041075

Commission's order granting the above-referenced certificate of public convenience have expired, and no appeals from either order have been filed.

f. Within ten days after the effective date of this Stipulation as defined in subparagraph (e) above, UGI and CEO will file praecipes with the Commonwealth Court to dismiss their appeals with prejudice.

V. CONDITIONS OF THE STIPULATION

13. Any issue not specifically addressed in this Stipulation shall be treated and resolved in accordance with the resolution of that issue adopted by the Commission in its June 29, 2000 Order.

14. This Stipulation is expressly conditioned upon the Commission's approval of all of the specific terms and conditions contained herein without modification. If the Commission should fail to grant such approval, fail to issue the requested orders, or should modify any of the terms and conditions herein, this Stipulation will terminate and be of no force and effect. The Joint Petitioners will make best efforts to support this Stipulation and to secure its approval by the Commission.

15. This Stipulation resolves, with prejudice, all of the issues specifically addressed herein and precludes the Joint Petitioners from asserting contrary positions with respect to any such issue during subsequent litigation, provided however, that the

UGI Energy Services Affiliate Interest Agreement G-00041075

Stipulation is made without admission against or prejudice to any factual or legal positions which any of the Joint Petitioners may assert in the event that the Commission does not issue final orders approving the Stipulation without modification and granting UGI a certificate of public convenience and all other necessary approvals to transfer the Peaking Facilities as specified above.

16. This Stipulation is determinative and conclusive of all of the issues addressed herein and constitutes a final adjudication as to the Joint Petitioners of the matters thereof.

VI. PUBLIC INTEREST CONSIDERATIONS

17. The Joint Petitioner agrees that the Stipulation is in the public interest and should be approved in full for the following reasons:

a. The Stipulation provides for a significant and important expansion of UGI's CAP program, with reasonable provisions to encourage enrollment and participation to targeted levels. The Stipulation also provides for a low income solar pilot program and an expanded use of CBOs. Moreover, the Stipulation provides for transfer of the Peaking Facilities, an associated base rate reduction, and the potential, through the RFP process, for UGI's customers to receive peaking services at a lower cost.

b. The Stipulation provides for a negotiated and final resolution of UGI's gas restructuring proceeding without further litigation. The Settlement is in accordance with Commission policy encouraging settlements and provides for further

UGI Energy Services Affiliate Interest Agreement G-00041075

unbundling of the gas supply functions currently included in base rates in accordance with the goals of the Competition Act.

VII. CONCLUSION

WHEREFORE, the Joint Petitioners, intending to be legally bound, respectfully request that the Commission:

1. Approve the terms and conditions set forth in the Stipulation without modification;
2. Amend the Commission's June 29 Order and Reconsideration Order as necessary to implement the proposed settlement;
3. Approve the tariff supplement attached to this Stipulation.

The undersigned counsel or representatives certify that they have full authority to enter into this Stipulation on behalf of their respective parties, and each is executing this Stipulation as a duly authorized representative of such party.

UGI Utilities, Inc. - Gas Division

Office of Consumer Advocate

Mark C. Housman

Ally Ke

By:

By:

Commission on Economic Opportunity

UGI Energy Services Affiliate Interest Agreement G-00041075

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**Pennsylvania Public Utility
Commission,** :
 :
 :
 Petitioner :
 : **Docket No. R-00994786**
 v. :
 :
 UGI Utilities, Inc. – Gas Division, :
 :
 Respondent :

CERTIFICATE OF SERVICE

I hereby certify that I have, this 29th day of January, 2001, 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 ELECTRONIC AND FIRST CLASS MAIL:

Stephen J. Keene, Esq.
Zachary Rubinich, Esq.
Office Of Consumer Advocate
555 Walnut Street
5th Floor, Forum Place
Harrisburg, PA 17101-1921
skeene@paoca.org
zrubinich@paoca.org

Charles Hoffman, Esq.
Office of Trial Staff
Pennsylvania Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265
hoffmanc@puc.state.pa.us

Craig R. Burgraff, Esq.
Malatesta, Hawke & Mckeon
Harrisburg Energy Center
100 North Tenth Street
P.O. Box 1778
Harrisburg, PA 17105-1778

Angela T. Jones, Esq.
Office Of Small Business Advocate
Suite 1102, Commerce Building
300 North Second Street
Harrisburg, PA 17101
anjones@state.pa.us

UGI Energy Services Affiliate Interest Agreement G-00041075

Herbert R. Nurick, Mediation Coordinator
 Pennsylvania Public Utility Commission
 P.O. Box 3265
 Harrisburg, PA 17105-3265
 nurickh@state.pa.us

Pamela C. Polacek, Esq.
 Mcnees, Wallace & Nurick
 100 Pine Street
 P.O. Box 1166
 Harrisburg, PA 17108-1166
 ppolacek@mwn.com

VIA FIRST CLASS MAIL:

Jesse A. Dillon, Esq.
 PP&L
 2 North Ninth Street GentW3
 Allentown, PA 18101-5151

W. Thomas Bacon, Jr.
 Director, Strategic Planning
 Connectiv Energy
 P.O. Box 6022
 Newark, DE 19714-6022

Scott Rubin, Esq.
 3 Lost Creek Drive
 Selinsgrove, PA 17870

Alan C. Kohler, Esq.
 Gerald Gornish, Esq.
 Wolf, Block, Schorr and Solis-Cohen LLP
 212 Locust Street, Suite 300
 Harrisburg, PA 17101

Delia W. Stroud, Esq.
 Peco Energy
 2301 Market Street
 P.O. Box 8699
 Philadelphia, PA 19101-8699

Joseph L. Vullo, Esq.
 1460 Wyoming Avenue
 Forty Fort, PA 18704-4237
 jlvullo@aol.com

Richard J. Kruse, Esq.
 Texas Eastern Transmission Corporation
 P.O. Box 1642
 Houston, TX 77251-1642

Usher Fogel, Esq.
 Roland, Fogel, Koblenz & Petroccione, Llp
 1 Columbia Place
 Albany, NY 12207

Craig A. Doll, Esq.
 214 State Street
 Harrisburg, PA 17101-1108

Daniel P. Delaney, Esq.
 James P. Melia, Esq.
 Kirkpatrick & Lockart, Llp
 Payne-Shoemaker Building
 240 North Third Street
 Harrisburg, PA 17101-1507

Joseph L. Robinson, Esq.
 Sherrard, German & Kelly, P.C.
 35th Floor, One Oliver Plaza
 Pittsburgh, PA 15222-2602

UGI Energy Services Affiliate Interest Agreement G-00041075

David Koff, Esquire
Koff, Wendolowski, Ferguson & Managan
22 East Union Street
Wilkes-Barre, PA 18701

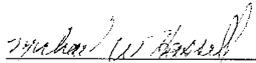
Charles E. Thomas, Jr., Esq.
Thomas T. Niesen, Esq.
Regina L. Matz, Esq.
Thomas, Thomas, Armstrong & Niesen
212 Locust Street
P.O. Box 9500
Harrisburg, PA 17108-9500

Jay W. Dawson, Esq.
T.W. Phillips Gas and Oil Co.
205 North Main Street
Butler, PA 16001

Eugene M. Brady
Commission On Economic Opportunity
165 Amber Lane
Wilkes-Barre, PA 18702

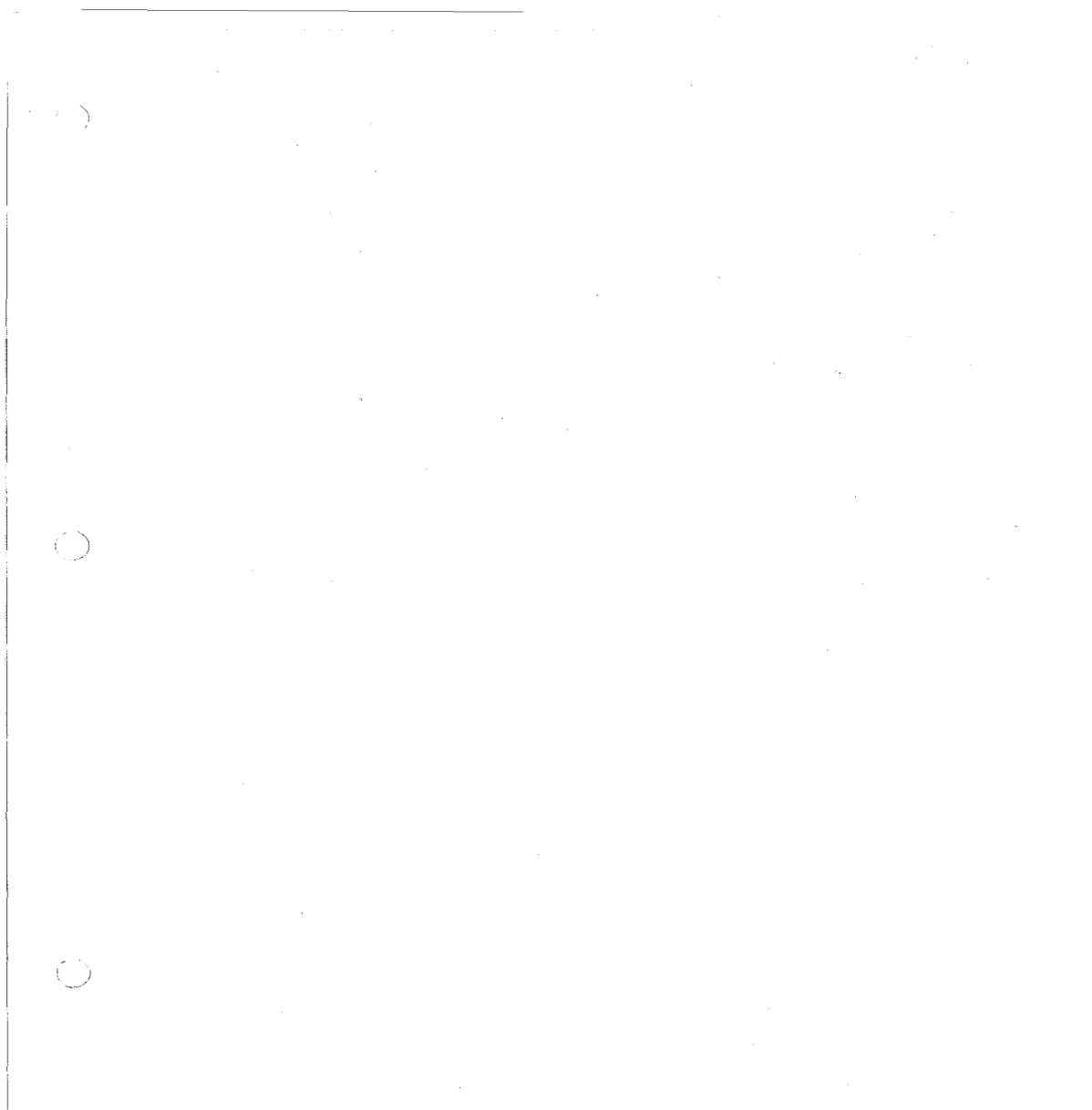
Mark R. Haskell, Esq.
Melissa L. Lauderdale, Esq.
Brunenkant & Haskell, LLP
805 15th Street, N.W.
Suite 1101
Washington, D.C. 20005

Wayne Williams
Bureau of Consumer Services
Pennsylvania Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265



Michael W. Hassell

UGI Energy Services Affiliate Interest Agreement G-00041075



UGI Energy Services Affiliate Interest Agreement G-00041075

MCNEES, WALLACE & NURICK
ATTORNEYS AT LAW

100 PINE STREET
P. O. BOX 1166
HARRISBURG, PA 17108-1166
TELEPHONE 17171-232-8000
FAX 17171-237-5300
<http://www.mwn.com>

PAMELA C. POLACEK
DIRECT DIAL: (717) 237-5368
E-MAIL ADDRESS: PPOLACEK@MWN.COM

January 29, 2001

James J. McNulty, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor
Harrisburg, PA 17120

VIA HAND DELIVERY

**Re: Pennsylvania Public Utility Commission v. UGI Utilities, Inc. - Gas Division;
Docket No. R-00974786 (UGI Universal Service Mediation)**

Dear Secretary McNulty:

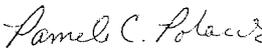
The UGI Industrial Intervenors ("UGIII") submits this letter to indicate non-opposition to the proposed Stipulation in Settlement. UGIII intervened in the Restructuring Proceeding and participated in the mediation sessions related to universal service issues for the purpose of ensuring that the interests of large commercial and industrial customers receiving transportation service from UGI Utilities, Inc., would not be adversely impacted by the resolution of the proceeding. UGIII believes that the resolution embodied by the Stipulation in Settlement is reasonable and does not adversely impact UGIII member interests at this time. Consequently, UGIII does not oppose adoption of the Stipulation in Settlement without modification.

As evidenced by the attached Certificate of Service, all parties to this proceeding have been duly served. Please date stamp the enclosed copy of this letter and kindly return for our files.

Very truly yours,

MCNEES, WALLACE & NURICK

By


Derrick P. Williamson
Pamela C. Polacek

Counsel to the UGI Industrial Intervenors

PCP:kmp
c: Mark C. Morrow, Esquire
Certificate of Service

• COLUMBUS, OH • WASHINGTON, D.C. •

UGI Energy Services Affiliate Interest Agreement G-00041075

CERTIFICATE OF SERVICE

I hereby certify that I am this day serving a true copy of the foregoing document upon the participants listed below in accordance with the requirements of Section 1.54 (relating to service by a participant):

VIA FIRST CLASS MAIL

Charles Hoffman, Esquire
Pennsylvania Public Utility Commission
Office of Trial Staff
PO Box 3265
Harrisburg, PA 17105-3265

Stephen J. Keene, Esquire
Zachary Rubinich, Esquire
Office of Consumer Advocate
555 Walnut Street, 5th Floor
Forum Place
Harrisburg, PA 17101-1921

Bernard A. Ryan, Jr., Esquire
Angela T. Jones, Esquire
Office of Small Business Advocate
Commerce Building, Suite 1102
300 North Second Street
Harrisburg, PA 17101

Craig R. Burgraff, Esquire
Malatesta, Hawke & McKeon
Harrisburg Energy Center
100 North Tenth Street
P.O. Box 1778
Harrisburg, PA 17105-1778

Daniel P. Delaney, Esquire
James P. Melia, Esquire
Kirkpatrick & Lockhart, LLP
240 North Third Street
Harrisburg, PA 17101-1507

Charles E. Thomas, Jr., Esquire
Thomas T. Niesen, Esquire
Regina L. Matz, Esquire
Thomas, Thomas, Armstrong & Niesen
212 Locust Street
P.O. Box 9500
Harrisburg, PA 17108-9500

Craig A. Doll, Esquire
25 North Front Street, Second Floor
Harrisburg, PA 17101-1606

Susan M. Shanaman, Esquire
212 North Third Street
Suite 203
Harrisburg, PA 17101-1505

Alan C. Kohler, Esquire
Gerald Gornish, Esquire
Wolf, Block, Schorr and Solis-Cohen LLP
212 Locust Street, Suite 300
Harrisburg, PA 17101

John Wilson, Executive Director
222 Pine Street
Harrisburg, PA 17101

Scott Rubin, Esquire
3 Lost Creek Drive
Selinsgrove, PA 17870

UGI Energy Services Affiliate Interest Agreement G-00041075

Certificate of Service
Docket No. R-00994786
Page 2

Craig G. Goodman, Esquire
National Energy Marketers Association
3333 K Street NW, Suite 425
Washington, DC 20007

Jay W. Dawson, Esquire
T. W. Phillips Gas and Oil Company
205 North Main Street
Butler, PA 16001

Usher Fogel, Esquire
Roland, Fogel, Koblenz & Petroccione, LLP
1 Columbia Place
Albany, NY 12207

Delia W. Stroud, Esquire
PECO Energy Company
2301 Market Street
P.O. Box 8699
Philadelphia, PA 19101-8699

Mark R. Haskell, Esquire
Melissa L. Lauderdale, Esquire
Brunenkant & Haskell, LLP
805 15th Street, NW, Suite 1101
Washington, DC 20005

Joseph L. Robinson, Esquire
Sherrard, German & Kelly, PC
Attorneys At Law
35th Floor, One Oliver Plaza
Pittsburgh, PA 15222-2602

Philadelphia Gas Works
Attn: Abby Pozefsky
General Counsel
800 W. Montgomery Ave.
Philadelphia, PA 19122

Jesse A. Dillon, Esquire
PP&L
2 North Ninth Street
Allentown, PA 18101

Gordon J. Smith, Esquire
Joelle Ogg, Esquire
John & Hengerer
1200 17th Street, NW
Suite 600
Washington, DC 20036

Keith Sappenfield
Reliant Energy Retail, Inc.
111 Louisiana, 42nd Floor
P.O. Box 1409
Houston, TX 77251-1409

Eugene M. Brady
Commission on Economic Opportunity
165 Amber Lane
Wilkes-Barre, PA 18702

David Koff, Esquire
Koff, Wendolowski, Ferguson & Mangan
22 E. Union Street
Wilkes-Barre, PA 18701

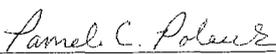
W. Thomas Bacon, Jr.
Conectiv Energy
Energy Trading
P.O. Box 6066
Newark, DE 19714-6066

Richard J. Kruse
Texas Eastern Transmission Corporation
PO Box 1642
Houston, TX 77251-1642

UGI Energy Services Affiliate Interest Agreement G-00041075

Certificate of Service
Docket No. R-00994786
Page 3

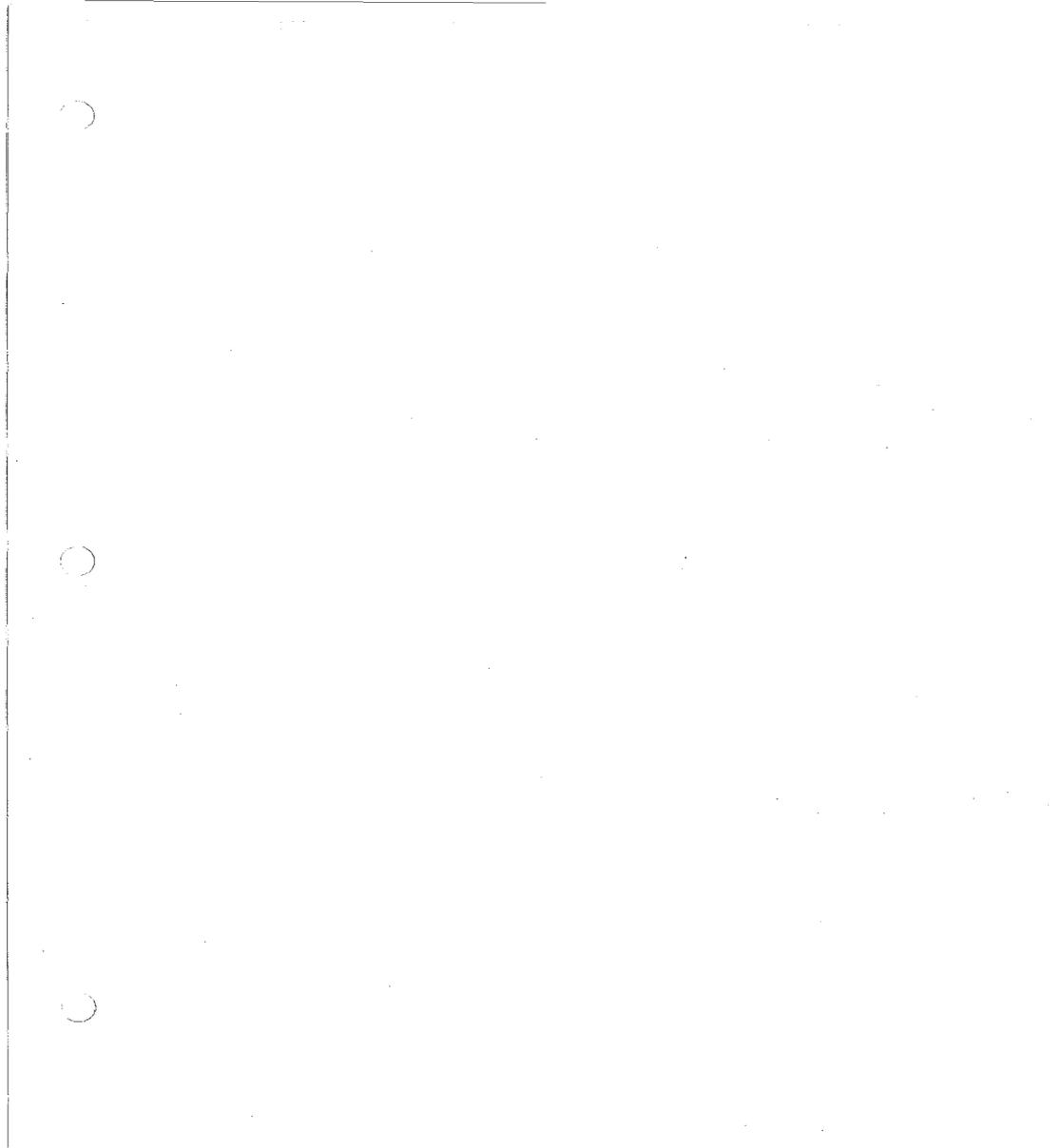
Vicki O. Ebner, Vice President
Marketing & Gas Supply
UGI Utilities, Inc. - Gas Division
100 Kachel Blvd., Suite 400
P.O. Box 12677
Reading, PA 19612-2677



Pamela C. Polacek

Dated this 29th day of January, 2001, Harrisburg, Pennsylvania.

UGI Energy Services Affiliate Interest Agreement G-00041075



UGI Energy Services Affiliate Interest Agreement G-00041075

Joseph L. Vullo
Attorney at Law

1460 Wyoming Avenue • Forty Fort, PA 18704-4237
Phone: 570-288-0700 • Fax: 570-288-4598

January 30, 2001

COPY

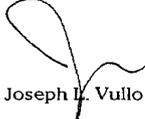
Mr. James J. McNulty, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, Second Floor
P.O. Box 3265
Harrisburg, PA 17105-3265

RE: PUC v. UGI
Docket No. R-00994786

Dear Secretary McNulty:

Enclosed please find an original and three copies of the signature page for the Stipulation in Settlement regarding the above-referenced matter. Copies of this document have been served upon the persons shown on the attached Certificate of Service.

Respectfully submitted,



Joseph L. Vullo

JLV/jav
encls.

cc: All Parties of Record

VIA EXPRESS MAIL

UGI Energy Services Affiliate Interest Agreement G-00041075

COPY

3. Approve the tariff supplement attached to this Stipulation.

The undersigned counsel or representatives certify that they have full authority to enter into this Stipulation on behalf of their respective parties, and each is executing this Stipulation as a duly authorized representative of such party.

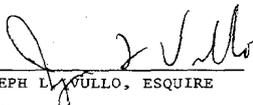
UGI Utilities, Inc. - Gas Division

Office of Consumer Advocate

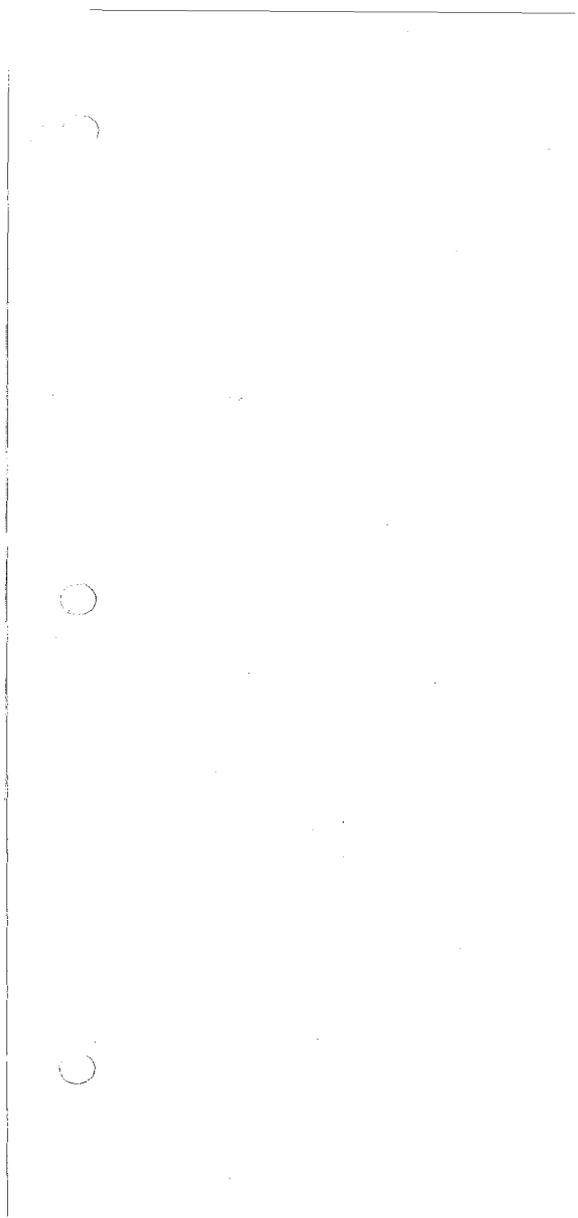
By: _____

By: _____

Commission on Economic Opportunity

By: 
JOSEPH L. VULLO, ESQUIRE
I-PH/1344160.1

UGI Energy Services Affiliate Interest Agreement G-00041075



UGI Energy Services Affiliate Interest Agreement G-00041075

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF SMALL BUSINESS ADVOCATE

Suite 1102, Commerce Building
300 North Second Street
Harrisburg, Pennsylvania 17101

Bernard A. Ryan, Jr
Small Business Advocate

(717) 783-2525
(717) 783-2831 (FAX)

January 29, 2001

James J. McNulty, Secretary
Pennsylvania Public Utility Commission
Room B-20, North Office Building
P.O. Box 3265
Harrisburg, PA 17105-3265

Re: UGI Utilities, Inc. - Gas Division
Filing Pursuant to the Natural Gas Choice
and Competition Act
Docket No. R-00994786

Dear Mr. McNulty:

The Office of Small Business Advocate is providing this letter as written confirmation that it is not opposed to the Settlement in Stipulation filed by the Joint Petitioners (UGI Utilities, Inc. - Gas Division ("UGI"), Office of Consumer Advocate and Commission on Economic Opportunity, collectively) at Docket No. R-00994786. The Settlement in Stipulation resolves all outstanding issues of UGI's gas restructuring proceeding with issues primarily related to UGI's CAP program.

If you have any questions, please do not hesitate to contact me.

Sincerely,

A handwritten signature in cursive script that reads "Angela T. Jones".

Angela T. Jones
Assistant Small Business Advocate

cc: Parties of Record

UGI Energy Services Affiliate Interest Agreement G-00041075

EXHIBIT B

UGI Energy Services Affiliate Interest Agreement G-00041075



COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
P.O. BOX 3265, HARRISBURG, PA 17105-3265

June 18, 2001

IN REPLY PLEASE
REFER TO OUR FILE

A-123100F0028

JUN 20 2001

MCM

TO ALL PARTIES

IN RE: Application of UGI Utilities, Inc. for approval of the transfer of peaking
assets in accordance with the terms of its restructuring settlement agreement

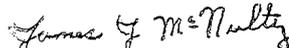
To Whom It May Concern:

Please replace the Commission Order adopted May 24, 2001 and entered May 29, 2001,
in the above captioned case, with the enclosed Corrected Order.

Two sentences concerning the fact that this approval does not constitute a determination
that this filing is lawful, etc. were removed from the last paragraph on page 3 of the Order. This
language was inadvertently placed in the Order and removing it does not affect the
recommendation contained in the Order.

Thank you for your attention to this matter, and we regret any inconvenience caused.

Very truly yours,


James J. McNulty
Secretary

Enclosure

UGI Energy Services Affiliate Interest Agreement G-00041075

**PENNSYLVANIA
PUBLIC UTILITY COMMISSION
Harrisburg, PA. 17105-3265**

Public Meeting held May 24, 2001

Commissioners Present:

John M. Quain, Chairman
Robert K. Bloom, Vice Chairman
Nora Mead Brownell
Aaron Wilson, Jr.
Terrance J. Fitzpatrick

Application of UGI Utilities, Inc. for approval of
the transfer of peaking assets in accordance with
the terms of its restructuring settlement
agreement.

Docket Number:
A-123100F0028

CORRECTED ORDER

BY THE COMMISSION,

On March 26, 2001, UGI Utilities, Inc. ("UGI") filed an Application for approval of the transfer of peaking assets in accordance with the terms of its restructuring settlement agreement at R-00994786. The filing requests that a Certificate of Public Convenience be issued authorizing the transfer of the Liquefied Natural Gas and Propane-Air assets and associated inventory described in the above application from UGI to UGI Energy Services, Inc. ("UGIES").

The Applicant has submitted proofs of service and publication. On April 24, 2001, the Office of Consumer Advocate ("OCA") filed a Notice of

UGI Energy Services Affiliate Interest Agreement G-00041075

Intervention, pursuant to the provisions of 52 Pa. Code §§5.71 - 5.74. The OCA represents the interests of consumers before the Pennsylvania Public Utility Commission. The OCA has decided to file a Notice of Intervention and to participate in any proceedings involving UGI's Application for approval of the transfer of peaking assets in accordance with the terms of its restructuring settlement agreement since it was an active participant in UGI's restructuring proceeding and a signatory to the Settlement under which UGI proposes to transfer these facilities. The OCA did not raise any specific issues in its Notice of Intervention.

UGI proposes to transfer the following assets:

- (a) A Liquefied Natural Gas facility and associated equipment, inventory and land located in Ontelaunee Township, Pennsylvania; and
- (b) Three propane/air facilities and associated inventory located in Reading, Bethlehem and Swatara Township, Pennsylvania; and
- (c) Associated fuel inventories.

In Pennsylvania Public Utility Commission v. UGI Utilities, Inc. - Gas Division, Docket No. R-00994786 (Order entered March 14, 2001), the Commission approved a Stipulation in Settlement which authorized UGI to transfer the above-described assets to an unregulated affiliate at net book value. UGI is proposing to transfer the assets to UGIES, a Pennsylvania corporation. UGIES is not a Pennsylvania public utility and will not operate the assets as utility facilities.

At the time of the transfer, UGI agreed, in Section III.11.h(2) of the Stipulation in Settlement to reduce its base rates by \$1.65 million. UGI will also,

UGI Energy Services Affiliate Interest Agreement G-00041075

as described in Section III.11.h.(3) and (4) of the Stipulation in Settlement, conduct a RFP (Request For Proposal) for peaking services having the same level of firmness and reliability as that provided by the transferred assets for the three year period following the asset transfer. If no comparable services are offered at a lower price, UGI shall have the right to acquire peaking services from UGIES at a rate of \$1.65 million per year plus commodity costs for the three year period following the transfer. As described in Section III.11.h.(5) of the Stipulation of Settlement, three years following the transfer UGI shall be permitted to purchase peaking services from its affiliate at market-based rates, consistent with UGI's then existing least cost fuel procurement obligations. In addition to these terms governing purchases from UGIES, UGI is authorized to purchase gas supply services from UGIES pursuant to an April 14, 1997 affiliated interest agreement approved by the Commission at Docket No. G-00970552 (Order entered August 28, 1997).

UGI states that no investment securities and no customers will be transferred as a result of this transaction. Also, the proposed asset transfer will have no effect upon the quality of distribution service rendered to UGI's customers.

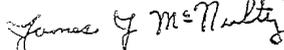
Upon our review of the Application, it does not appear to be unlawful, unjust, unreasonable, or contrary to the public interest. Therefore, we shall permit the proposed filing to become effective. **THEREFORE,**

UGI Energy Services Affiliate Interest Agreement G-00041075

IT IS ORDERED:

1. That the Application of UGI Utilities, Inc., filed on March 26, 2001, be, and hereby is, approved.
2. That a Certificate of Public Convenience be issued pursuant to 66 P.A. C.S. §1102(a)(2) authorizing UGI Utilities, Inc. to transfer its Liquefied Natural Gas and Propane-Air assets and associated inventory to UGI Energy Services, Inc.
3. That a copy of this Order be served on the Office of Consumer Advocate.
4. That this proceeding at Docket No. A-123100 F0028 be closed.

BY THE COMMISSION,


James J. McNulty
Secretary

(SEAL)

ORDER ADOPTED: May 24, 2001

ORDER ENTERED: May 29, 2001

UGI Energy Services, LLC. Affiliated Interest Agreement G-00970552



COMMONWEALTH OF PENNSYLVANIA SEP 3 1997
PENNSYLVANIA PUBLIC UTILITY COMMISSION TMJ
P.O. BOX 3265, HARRISBURG, PA 17105-3265

AUGUST 28, 1997

REFER TO OUR FILE
G-00970552

THOMAS M JACKAL ESQUIRE
UGI UTILITIES INC
460 NORTH GULPH ROAD
KING OF PRUSSIA PA 19406

Affiliated Interest Agreement between
UGI Utilities, Inc. and
UGI Energy Services, Inc. D/B/A GASMAR

To Whom It May Concern:

This is to advise you that an Opinion and Order has been adopted by the Commission in Public Meeting on August 28, 1997, in the above entitled proceeding.

An Opinion and Order has been enclosed for your records.

Very truly yours,
James J. McNulty
James J. McNulty,
Acting Secretary

smk
Encls.
Cert.Mail

UGI Energy Services, LLC. Affiliated Interest Agreement G-00970552

**PENNSYLVANIA
PUBLIC UTILITY COMMISSION
Harrisburg, PA. 17105-3265**

Public Meeting held August 28, 1997

Commissioners Present:

John M. Quain, Chairman
Robert K. Bloom, Vice Chairman
John Hanger
David W. Rolka
Nora Mead Brownell

Affiliated Interest Agreement Between UGI Docket No.
Utilities, Inc. and UGI Energy Services, Inc. G-00970552
D/B/A GASMARK

OPINION AND ORDER

BY THE COMMISSION:

On April 14, 1997, an Affiliated Interest Agreement ("Agreement") between UGI Utilities, Inc. ("Utilities") and UGI Energy Services, Inc. D/B/A GASMARK ("GASMARK") was filed to become effective on May 14, 1997. On May 8, 1997, the Commission extended the period for consideration of this Agreement to July 18, 1997. A further extension was made per Secretarial Letter dated July 2, 1997, to August 29, 1997.

This is an Agreement whereby Utilities would buy gas from or sell gas to GASMARK at prevailing market rates.

GASMARK was formed in 1985 for the purposes of brokering gas supplies. GASMARK formerly did business as a division of UGI Development Company ("UGID"), a wholly owned subsidiary of Utilities. In 1995, the business of GASMARK was transferred from UGID to the newly formed UGI Energy Services, Inc. GASMARK continued its brokerage business but also began taking title to gas supplies and selling directly to customers both within and outside of Utilities' service territory. As a marketer of gas in Utilities' service territory, GASMARK occasionally has supplies of gas available at prices at or below prices available to Utilities from other sources. As part of Utilities' least cost purchasing strategy, Utilities and its customers would benefit from the ability to purchase gas directly from GASMARK.

The price of gas sold by GASMARK to Utilities shall be equal to or less than the cost of alternate supplies available to Utilities which are similarly situated with respect to volume, availability, location, transporting pipeline, reliability, and such other operating criteria which are appropriate at the time of purchase.

UGI Energy Services, LLC. Affiliated Interest Agreement G-00970552



UGI Utilities, Inc.
460 North Gulph Road
King of Prussia, PA 19406

Post Office Box 858
Valley Forge, PA 19482-0858

(610) 337-1000 Telephone
(610) 992-3258 Fax

April 14, 1997

FEDERAL EXPRESS

James J. McNulty, Prothonotary
Pennsylvania Public Utility Commission
P.O. Box 3265, North Office Building
Harrisburg, PA 17105-3265

Re: Affiliated Interest Filing of UGI Utilities, Inc.

Dear Prothonotary McNulty:

Pursuant to Section 2102 of the Public Utility Code (and in particular subsections 2102 (a) and (b)), I submit for the Commission's approval an original and three (3) copies of a proposed arrangement between UGI Utilities, Inc. ("Utilities") and UGI Energy Services, Inc. dba GASMARK ("GASMARK") whereby Utilities would buy gas from or sell gas to GASMARK at prevailing market rates. GASMARK is a marketer of natural gas in UGI's gas service territory and elsewhere in the United States, and is a subsidiary of UGI Enterprises, Inc. UGI Enterprises, Inc. is a wholly owned subsidiary of UGI Corporation, the corporate parent of Utilities. Attachment "A" hereto is an organization chart showing the corporate relationship between Utilities and GASMARK.

GASMARK formerly did business as a division of UGI Development Company ("UGID"), a wholly owned subsidiary of Utilities. At that time, GASMARK was solely a broker of natural gas supplies, typically arranging purchases and sales between pools of gas suppliers and pools of gas purchasers. In such a transaction, GASMARK would earn a brokerage fee. By order dated September 15, 1988 (Attachment "B" hereto), this Commission approved an affiliated interest arrangement, whereby Utilities' Gas Division was authorized to purchase gas from GASMARK pools and pay up to one penny per decatherm to GASMARK for its "processing cost."

In 1995, the business of GASMARK was transferred from UGID to the newly formed UGI Energy Services, Inc. GASMARK continued its brokerage business but also began taking title to gas supplies and selling directly to customers both within and outside of Utilities' service territory. As a marketer of gas in Utilities' service territory, GASMARK occasionally has supplies of gas available at prices at or below prices available to Utilities from other sources. As part of Utilities' least cost purchasing strategy, Utilities and its customers would benefit from the ability to purchase gas directly from GASMARK. In purchasing gas from GASMARK, Utilities would do so under the terms and conditions substantially the same as those in GASMARK's standard gas purchase agreement (Attachment "C" hereto).

unjl-affil

UGI Energy Services, LLC. Affiliated Interest Agreement G-00970552

James J. McNulty, Prothonotary
April 14, 1997
Page 2

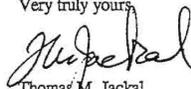
The price of gas sold by GASMARK to Utilities shall be equal to or less than the cost of alternate supplies available to Utilities which are similarly situated with respect to volume, availability, location, transporting pipeline, reliability, and such other operating criteria that are appropriate at the time of purchase.

In addition, when Utilities has gas supply assets in excess of its requirements, Utilities may wish to sell such assets at prevailing market rates to GASMARK. In selling gas supply assets to GASMARK, Utilities would make such sales on a non-preferential basis and on terms consistent with its tariff, federal laws and regulations (to the extent applicable) and regulations adopted by this Commission concerning relationships with affiliated marketers. Sales to GASMARK would also be conducted on terms substantially the same as those of Attachment "C".

Of course, Utilities recognizes that approval of this affiliated interest filing does not represent approval of the prudence of any purchases made by Utilities from GASMARK, nor does it represent approval of the prices paid to GASMARK. Those issues will be subject to review in Section 1307 (f) proceedings in which all transactions with affiliates are required to be disclosed or in other appropriate proceedings before the Commission.

Please acknowledge receipt of this filing by stamping and returning to me the enclosed photocopy of this letter in the addressed, stamped envelope. Thank you for your attention to this matter.

Very truly yours,



Thomas M. Jackal
Group Counsel - Utilities

TMJ/kib

Enclosure

cc: J. Doan
M. Morrow
K. Murphy
C. Myers
B. Pistor

uaj/te-affi

UGI Energy Services, LLC. Affiliated Interest Agreement G-00970552

ATTACHMENT B

PENNSYLVANIA
PUBLIC UTILITY COMMISSION
Harrisburg, PA. 17120

Public Meeting held September 15, 1988

Commissioners Present:

Bill Shane, Chairman
William H. Smith, Vice Chairman
Linda C. Taliaferro
Joseph Rhodes, Jr.
Frank Fischl

Affiliated Interest Arrangement Between the Gas
Division of UGI Corporation ("UGI") and Gasmark
Division of UGI Development Company ("GASMARK"),
pertaining to the UGI's participation as a buyer
in the GASMARK brokerage gas pool.

G-880112

OPINION AND ORDER

BY THE COMMISSION:

Before the Commission for consideration is the summary of a category of Affiliated Interest Arrangements ("Arrangement") filed August 22, 1988, between the Gas Division of UGI Corporation ("UGI") and Gasmark Division of UGI Development Company ("GASMARK"). This Arrangement pertains to UGI's participation as a buyer in the GASMARK brokerage gas pool, and is filed pursuant to the Public Utility Code, 66 Pa. C. S. §§ 2101-2107.

GASMARK was formed in 1985 for the purpose of brokering gas supplies. GASMARK introduced a pooled gas concept whereby gas is sold by several participating sellers into a pool from which several participating buyers purchase available gas supplies. With this concept, GASMARK will locate the gas producers, sellers, and buyers who want to join in a brokerage gas pool, and, on their behalf, arrange the sales and purchases through this pool. Pool prices are set by GASMARK so as to be competitive with the other alternatives' prices available to

UGI Energy Services, LLC. Affiliated Interest Agreement G-00970552

competitive with the other alternatives' prices available to the pooled buyers in the energy marketplace. They are controlled by no other factors but the market level prices. For its compensation, GASMARK will negotiate with the sellers for a margin below market price. Buyers and sellers desiring to participate in this pool commit to participation by executing either a Seller's or Buyer's Endorsement to a Monthly Gas Brokerage Agreement.

UGI is requesting the Commission's approval of its participation in the GASMARK brokerage gas pool as a buyer in order to purchase cheaper gas through brokerage transactions. GASMARK has also agreed to charge UGI either no brokerage fee or a penny per dekatherm for the processing costs.

We have examined this Arrangement and have determined that it is reasonable and consistent with the public interest. However, approval of this Arrangement does not preclude the Commission from investigating, during any proceeding, the reasonableness of any charges incurred or any action taken under or in relation to this Arrangement; THEREFORE,

IT IS ORDERED:

1. That the Affiliated Interest Arrangement, pertaining to the participation of the Gas Utility Division of UGI Corporation as a buyer in the GASMARK Division of UGI Development Company's brokerage gas pool is hereby approved.

2. That the acceptance does not preclude the Commission from investigating, during any proceeding, the reasonableness

UGI Energy Services, LLC. Affiliated Interest Agreement G-00970552

of any charges incurred or any action taken under or in relation
to this Arrangement.

BY THE COMMISSION,

Jerry Rich
Secretary

(SEAL)

ORDER ADOPTED: September 15, 1988

ORDER ENTERED: September 15, 1988

UGI Energy Services, LLC. Affiliated Interest Agreement G-00970552

ATTACHMENT C

GASMARK
 MASTER NATURAL GAS SALES AGREEMENT NO. _____ ("CONTRACT")
 DATED _____, 199_

The Contract is between UGI Energy Services, Inc. d/b/a GASMARK ("Seller") and _____ ("Buyer"). Buyer and Seller may be referred to individually as "Party" or collectively as "Parties." The Contract shall include all transaction-specific Confirmation Agreements, which shall be substantially in the form attached hereto as Appendix "A".

1. **Nature of Transaction:** Buyer and Seller agree to purchase and sell natural gas ("gas") pursuant to the terms set forth herein and in the Confirmation Agreement. Gas may be purchased and sold on a Firm, Interruptible, or otherwise defined basis. If Firm, Buyer must purchase, and Seller must sell, all gas contracted for by Buyer ("Contract Quantity") unless a Party is prevented from doing so by force majeure. If Interruptible, Buyer and Seller shall be excused from purchasing or selling the Contract Quantity if it gives proper notice to the other Party, as defined in the Confirmation Agreement, of its intention not to buy or sell such gas.

2. **Contract Term and Sales Period(s):** The Contract Term is one year commencing with the above date, and shall continue year to year thereafter. A Party may terminate the Contract upon ninety (90) days prior written notice effective the later of either the expiration date of the Sales Period specified in the Confirmation Agreement or the end of a contract year.

3. **Quantity:** Except as otherwise permitted, Seller shall tender for delivery and sell the Contract Quantity to Buyer at the Point of Delivery and Buyer shall accept and pay for such gas.

4. **Contract Price:** Buyer shall pay Seller the Contract Price specified in the Confirmation Agreement. The Contract Price shall include all applicable taxes for which the taxable incident takes place prior to the Point of Delivery and shall exclude all taxes applicable to the gas at or downstream of the Point of Delivery.

5. **Quality, Pressure, and Measurement:** Gas tendered by Seller hereunder shall be merchantable. Gas is merchantable if it meets all quality and pressure specifications required by Buyer's Transporter(s). The quantity of gas shall be measured by Buyer's Transporter at the Point of Delivery.

6. **Title, Possession and Control:** Title to and risk of loss of all gas purchased by Buyer shall pass to Buyer upon delivery at the Point of Delivery. Seller warrants that it holds title to the gas, or has the right to sell the gas, at the Point of Delivery and that the gas is free from liens and adverse claims of any kind. Seller shall indemnify Buyer against any liens and claims arising with respect to the title to, or its right to sell, the gas prior to the Point of Delivery.

7. **Transportation Balancing and Overruns:** Any charge imposed by a Transporter due to an unexcused imbalance or failure to receive or deliver the Contract Quantity shall be paid by the Party causing such imbalance or failure. Buyer and Seller shall notify each other as soon as possible after receipt of any notice from a Transporter that such an imbalance or failure has occurred or is likely to occur, and shall reasonably attempt to cure the problem.

10/95-U

UGI Energy Services, LLC. Affiliated Interest Agreement G-00970552

GASMARK
 MASTER NATURAL GAS SALES AGREEMENT NO. _____ ("CONTRACT")
 DATED _____, 199__

8. **Billing and Payment:** All amounts due hereunder shall be paid within 10 days of the date of the invoice. Buyer shall pay Seller by wire transfer to the following Bank Account: Mellon Bank N.A., Pittsburgh, PA; Account #016-7425, ABA #043000261, or by check to UGI Utilities, Inc. P.O. Box 13009, Reading, PA 19612-3009; Attn: Accounts Receivable. Any unpaid amounts shall accrue interest from the due date at the rate which is the lesser of 1 1/2% per month or the maximum lawful rate. Seller may curtail deliveries if an amount due is not received when due or if Seller reasonably believes that Buyer is unable to pay an amount due. Deliveries may not be curtailed where a good faith dispute arises; to avoid curtailment, Buyer must inform Seller in writing of such dispute and pay the undisputed amount.

9. **Force Majeure:** Except for Buyer's payment obligation, neither Party shall be liable for failure of performance due to causes beyond its reasonable control, such as acts of God, acts of the other Party, acts of civil or military authority, fires, labor strikes and disputes, floods, freezing of wells or lines of pipe, epidemics, war or riot, curtailment of firm transportation, or other like occurrence. A Party claiming force majeure must provide the other Party with prompt notice stating the reason for its inability to perform. The Party claiming force majeure must make reasonable efforts to promptly resolve its inability to perform. Financial inability to perform alone shall not relieve a Party of its obligation to perform. Refusal of a Party to accede to demands of labor shall not deny that Party the benefits of this provision.

10. **Failure to Deliver/Accept - Exclusive Remedy:** If for an unexcused reason either Party fails to perform its obligation to deliver or accept gas under this Contract, the other Party's exclusive remedy shall be the following: Buyer's Remedy - If Seller fails to deliver the Contract Quantity, Seller shall pay Buyer the following: (1) if Buyer obtains replacement supplies, the positive difference, if any, between the price Buyer paid for the replacement supplies and the Contract Price, multiplied by the volume of gas Seller failed to deliver; or (2) if Buyer does not obtain replacement supplies, a daily amount equal to the Seller's delivery shortfall times the Contract Price. Seller's Remedy - If Buyer fails to accept all or part of the Contract Quantity, Buyer shall pay Seller the following: 1) if Seller obtains a replacement market, the positive difference, if any, between the Contract Price and the price Seller obtained from the replacement market, multiplied by the volume of gas not accepted by Buyer; or 2) if the Seller is unable to obtain a replacement market, the Contract Price times the volume of gas not accepted by Buyer. A Party shall act reasonably to minimize damages the other Party would owe under this provision, which shall include efforts to obtain replacement supplies or replacement markets. If a Party's obligation is interruptible, these remedy provisions do not apply unless the Party fails to give the proper notice specified in Section 1 hereto.

11. **Notices:** Notice(s) required hereunder shall be deemed properly made if telecopied, delivered personally or sent by regular or certified mail to the following addresses or facsimile.

Buyer's Representative:

Seller's Representative:

UGI Energy Services, Inc.
 d/b/a GASMARK
 1100 Berkshire Blvd.
 Wyomissing, PA 19610

Telephone:

Telephone: (610) 373-7999
 800 427-8545

Facsimile:

Facsimile: (610) 374-4288

10/95-U

2

UGI Energy Services, LLC. Affiliated Interest Agreement G-00970552

GASMARK
MASTER NATURAL GAS SALES AGREEMENT NO. _____ ("CONTRACT")
DATED _____, 199_

12. **Assignment:** Upon written notice to the other Party, Buyer or Seller may assign this Master Contract and related Confirmation Agreement(s) to a corporate affiliate or successor. No other assignment shall be valid without the prior written consent of the other Party, which may not be unreasonably withheld.

13. **Governing Law and Severability:** This Contract shall be construed in accordance with the laws of the Commonwealth of Pennsylvania without recourse to provisions governing choice of law. The venue of any action brought by either Party shall be Berks County, PA.

AGREED AND ACCEPTED THIS

__ day of ____, 199_

BUYER:

By:

Title:

AGREED AND ACCEPTED THIS

__ day of _____, 199_

SELLER: GASMARK

By:

Title:

UGI Energy Services, LLC Affiliated Interest Agreement for Retail Electric Supply G-00980646



COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
P.O. BOX 3265, HARRISBURG, PA 17105-3265

March 31, 1999

IN REPLY PLEASE
REFER TO OUR FILE

G-00980646

THOMAS M JACKAL
BOX 858
VALLEY FORGE PA 19482

Affiliated Interest Agreement Between
UGI Utilities, Inc. and
UGI Energy Services, Inc.

APR 05 1999
TMJ

To Whom It May Concern:

This is to advise you that an Opinion and Order has been adopted by the Commission in Public Meeting on March 31, 1999 in the above entitled proceeding.

An Opinion and Order has been enclosed for your records.

Very truly yours,

James J. McNulty
James J. McNulty,
Secretary

encls .
cert. mail
law

UGI Energy Services, LLC Affiliated Interest Agreement for Retail Electric Supply G-00980646

**PENNSYLVANIA
PUBLIC UTILITY COMMISSION
Harrisburg, PA. 17105-3265**

Public Meeting held March 31, 1999

Commissioners Present:

John M. Quain, Chairman
Robert K. Bloom, Vice Chairman
David W. Rolka
Nora Mead Brownell
Aaron Wilson, Jr.

Affiliated Interest Agreement Between
UGI Utilities, Inc. and UGI Energy
Services, Inc.

Docket Number:
G-00980646

OPINION AND ORDER

BY THE COMMISSION:

On December 17, 1998, UGI Utilities, Inc. (Utilities) filed an Affiliated Interest Agreement with UGI Energy Services, Inc. (Energy Services). On January 14, 1999, the Commission extended the period for consideration for this Agreement until further order of the Commission. This Agreement seeks Commission approval whereby Utilities would buy electric generation service from Energy Services at below or prevailing market rates.

This agreement is filed in accordance with the requirements of Section 2102(b) of the Public Utility Code, 66 Pa. C.S. §2102(b).

Energy Services is a subsidiary of UGI Enterprises, Inc. UGI Enterprises, Inc. is a wholly owned subsidiary of UGI Corporation, the corporate parent of Utilities.

Order Doc. #: 123192

UGI Energy Services, LLC Affiliated Interest Agreement for Retail Electric Supply G-00980646

Energy Services is a licensed electric generation supplier (PUC License A-110076) in UGI's service territory and elsewhere in Pennsylvania.

Utilities states that it requires electricity for its own use at facilities throughout its service territories. With the implementation of Pennsylvania's Electricity Generation Customer Choice and Competition Act, Utilities is no longer required to purchase electric generation services from the local electric utilities serving its facilities, but can shop for power from licensed marketers. Energy Services is one such marketer.

Utilities proposes to purchase electric generation services from Energy Services at or below prevailing market rates utilizing terms and conditions included in the agreements between the two companies. Utilities states that these agreements include the same terms and prices that Energy Services offers to its other clients.

Utilities believes that, by having Energy Services available as a potential supplier, it increases Utilities' options in shopping for market priced generation services, and thus benefits both Utilities and its customers in managing its energy costs.

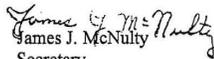
The Commission has examined the Agreement and has determined that it appears to be reasonable and consistent with the public interest; however, approval of the Agreement does not preclude the Commission from investigating during any formal proceeding, the reasonableness of any charges under the Agreement; **THEREFORE,**

UGI Energy Services, LLC Affiliated Interest Agreement for Retail Electric Supply G-00980646

IT IS ORDERED:

1. That the Affiliated Interest Agreement between UGI Utilities, Inc. and UGI Energy Services, Inc., be, and hereby is, approved.
2. That acceptance does not preclude the Commission from investigating during any formal proceeding the reasonableness of any charges under the Agreement.
3. That this Docket at G-00980646 be marked closed.

BY THE COMMISSION


James J. McNulty
Secretary

(SEAL)

ORDER ADOPTED: March 31, 1999

ORDER ENTERED: MAR 31 1999

Order Doc. # 123192

3

UGI Energy Services, LLC Affiliated Interest Agreement for Retail Electric Supply G-00980646The logo for UGI Corporation, featuring the letters "UGI" in a large, bold, sans-serif font, with the word "CORPORATION" in a smaller, all-caps, sans-serif font directly beneath it.

BOX 858 VALLEY FORGE, PA 19482 • 610-337-1000

December 17, 1998

VIA FEDERAL EXPRESS

James J. McNulty, Secretary
Pennsylvania Public Utility Commission
North Office Building
North Street and Commonwealth Avenue
Harrisburg, PA 17105-3265

Re: Affiliated Interest Filing of UGI Utilities, Inc.

Dear Secretary McNulty:

Pursuant to Section 2102 of the Public Utility Code (and in particular subsections 2102 (a) and (b)), I submit for the Commission's approval an original and three (3) copies of a proposed arrangement between UGI Utilities, Inc. ("Utilities") and UGI Energy Services, Inc. ("Energy Services") whereby Utilities would buy electric generation service from Energy Services at below or prevailing market rates. Energy Services is a licensed supplier of electric generation services (PUC License A-110076) in UGI's service territory and elsewhere in Pennsylvania, and is a subsidiary of UGI Enterprises, Inc. UGI Enterprises, Inc. is a wholly owned subsidiary of UGI Corporation, the corporate parent of Utilities. Attachment "A" hereto is an organization chart showing the corporate relationship between Utilities and Energy Services.

Utilities requires electricity for its own use at facilities throughout its service territories. With the implementation of Pennsylvania's Electricity Generation Customer Choice and Competition Act, Utilities is no longer required to purchase electric generation services from the local electric utilities serving its facilities but can shop for power from licensed marketers. Energy Services is one such marketer.

Utilities proposes to purchase electric generation services from Energy Services at or below prevailing market rates on terms and conditions substantially similar to the two attached form agreements, Attachment "B", small commercial accounts; and Attachment "C" large commercial accounts. Having Energy Services available as a potential supplier increases Utilities' options in shopping for market priced generation services and thus benefits both Utilities and its customers in managing its energy costs.

460 NORTH GULPH ROAD, KING OF PRUSSIA, PA 19406

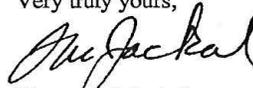
UGI Energy Services, LLC Affiliated Interest Agreement for Retail Electric Supply G-00980646

James J. McNulty, Secretary
December 17, 1998
Page 2

Of course, Utilities recognizes that approval of this affiliated interest filing does not represent this Commission's approval of the prudence of any purchases made by Utilities from Energy Services, nor does it represent approval of the prices paid to Energy Services. Those issues will be subject to review in rate proceedings in which all transactions with affiliates are required to be disclosed or in other appropriate proceedings before the Commission.

Please acknowledge receipt of this filing by stamping and returning to me the enclosed photocopy of this letter in the addressed, stamped envelope. Thank you for your attention to this matter.

Very truly yours,



Thomas M. Jackal
Group Counsel - Utilities

TMJ/njo

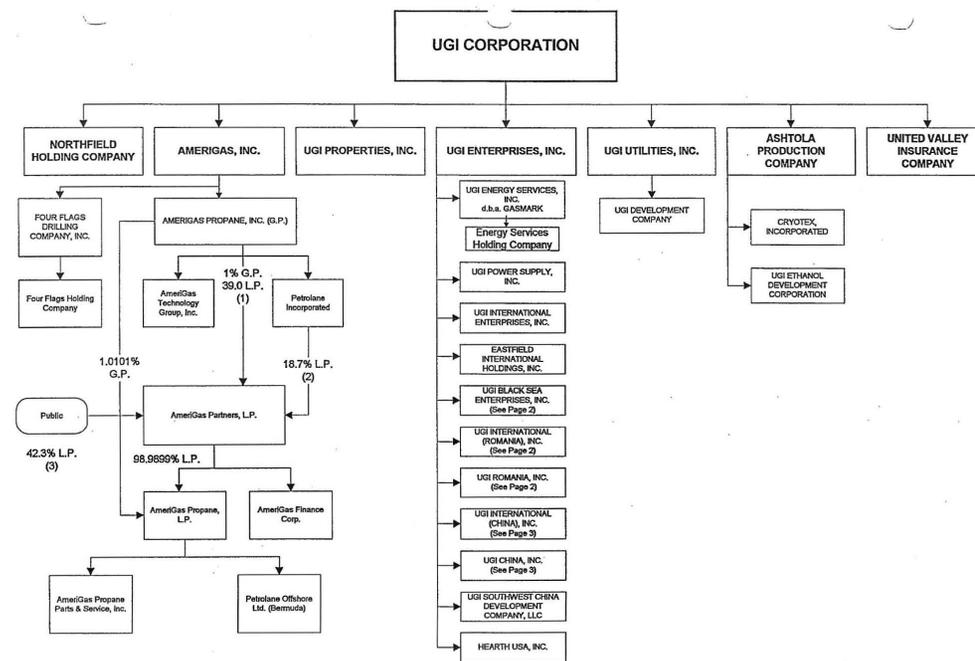
Enclosure

cc: J. Doan
M. Morrow
K. Murphy
R. Libutti
B. Founds

UGI Energy Services, LLC Affiliated Interest Agreement for Retail Electric Supply G-00980646

ATTACHMENT A
Organization Chart

UGI Energy Services, LLC Affiliated Interest Agreement for Retail Electric Supply G-00980646



(1) 2,884,947 Common; 13,350,146 Subordinated
 (2) 1,407,911 Common; 6,432,000 Subordinated
 (3) 17,713,135 Common; -0- Subordinated

UGI Energy Services, LLC Affiliated Interest Agreement for Retail Electric Supply G-00980646

ATTACHMENT B
Small Commercial Accounts

UGI Energy Services, LLC Affiliated Interest Agreement for Retail Electric Supply G-00980646

**UGI Energy Services, Inc. Electric Choice
Commercial Sales Agreement**

This is an agreement for electric generation service, between UGI Energy Services, Inc. and UGI Utilities, Inc.

Background

- We at UGI Energy Services, Inc. are licensed by the Pennsylvania Public Utility Commission to offer and supply electric generation services in Pennsylvania. Our PUC license Number is A-110076.
- We set the generation prices and charges that you pay. The Public Utility Commission regulates distribution prices and services. The Federal Energy Regulatory Commission regulates transmission prices and services.
- You may choose below to have us bill you directly for our services or to receive one bill from your electric distribution company for all electric services.
- Right of Recision – You may cancel this agreement at any time before midnight of the third business day after receiving this disclosure.

Definitions

- Generation Charge – Charge for production of electricity.
- Transmission Charge – Charge for moving high voltage electricity from a generation facility to the distribution lines of an electric distribution company.

Terms of Service

1. Basic Service Prices –

You will pay \$.043 per kWh for electric generation and transmission service.

2. Initial Term of Agreement

You will buy your electricity generation service for the above street address from UGI Energy Services, Inc. beginning January, 1999 meter read date through the May 1999 meter read date.

3. Penalties, Fees, and Exceptions

- A late payment charge of 1 1/4% per month is due on all amounts unpaid after the due date.
- If we cancel this agreement because you did not pay your bill, we will charge you a cancellation fee of \$50, plus reasonable reasonable collection costs.

4. Cancellation Provisions

- Either you or UGI Energy Services may cancel with thirty days written notice after completion of the original contract term.
- If you do not pay your bill on time, we may cancel this agreement after we give you ten (10) days prior written notice.

5. Renewal Provision – This agreement will automatically renew month to month unless you or UGI Energy Services cancel in writing, giving thirty (30) days notice.

6. Agreement Expiration/Change in Terms

UGI Energy Services, LLC Affiliated Interest Agreement for Retail Electric Supply G-00980646

ATTACHMENT C

Large Commercial Accounts

UGI Energy Services, LLC Affiliated Interest Agreement for Retail Electric Supply G-00980646

**UGI Energy Services, Inc.
PUC License # A-110076
Electric Generation Service Agreement
And Disclosure Statement**

Electric Generation Service Agreement

This Electric Generation Service Agreement ("Agreement") is between UGI Energy Services, Inc. and UGI Utilities, Inc. ("Customer"), also referenced herein as "Party" or collectively as "Parties." The company that owns the power lines and equipment necessary to deliver electric generation service to the Customer is referred to herein as the Customer's electric distribution company ("electric distribution company"). The Customer's electric distribution company is PP&L.

UGI Energy Services, Inc. is licensed by the Pennsylvania Public Utility Commission to offer and supply electric generation service in Pennsylvania. Customer agrees to purchase electric generation & transmission service from UGI Energy Services, Inc. for the Customer account identified in paragraph 2, subject to the following terms and conditions of this Agreement:

1. TERM – This Agreement shall become effective upon execution by both parties and shall commence on the first day the Customer's electric distribution company authorizes delivery of electric generation & transmission service by UGI Energy Services, Inc. to the Customer and shall continue in effect through the May 1999 meter read date. Customer shall be notified of the expiration of this Agreement at least forty-five days prior to the expiration date.

2. PRICE – For electric generation service supplied by UGI Energy Services, Inc., Customer shall pay UGI Energy Services, Inc. the generation and transmission charge specified below:

Electric Distribution Company Account Number	Fixed Price \$/kWh
5135800360	\$.03945

The generation and transmission charge shall be fixed for the entire term of this Agreement.

3. BILLING AND PAYMENT – All amounts due hereunder shall be billed by the Customer's electric distribution company on behalf of UGI Energy Services, Inc. If timely payment is not made, UGI Energy Services, Inc. may terminate this Agreement and discontinue service to Customer. Customer's electric generation service shall then be provided by the electric distribution company. Discontinuance of service by UGI Energy Services, Inc. does not relieve Customer of any obligations under this Agreement.

4. RIGHT OF RESCISSION – This Agreement shall remain in full effect for the entire term specified in Paragraph 1. The Customer may only cancel this Agreement at any time before midnight of the third business day after Customer's execution of this Agreement.

5. UNANTICIPATED CIRCUMSTANCES – UGI Energy Services, Inc. shall not be liable for damages caused if the electric generation service provided by UGI Energy Services, Inc. fails, is interrupted, or becomes defective because of a) an act of god, b) an act or requirement of any governmental authority, c) an accident, d) a labor problem, e) an act of a public enemy, f) an inability to access you electric distribution company's system, or g) any other cause, to the extent that UGI Energy Services, Inc. is rendered unable to deliver electric generation for customer and the cause is beyond UGI Energy Services, Inc.'s reasonable control.

6. LIMITATION OF DAMAGES – In no instance and for no purpose shall UGI Energy Services, Inc. be liable to Customer for any special, consequential, or incidental damages, regardless of whether the claim is made or remedy is sought in contract, tort, or otherwise.

7. AGENCY/DISCLOSURE OF ACCOUNT INFORMATION – UGI Energy Services, Inc. shall be Customer's agent for the purpose of making all arrangements with Customer's electric distribution company for the purpose of delivering electric generation service for the customer's account. UGI Energy Services, Inc. shall be authorized to receive the Customer's account information from the electric distribution company.

8. MISCELLANEOUS – This Agreement executed hereunder, shall be construed in accordance with the laws of the Commonwealth of Pennsylvania without recourse to provisions governing choice of law. Upon written notice to the other Party, Customer or UGI Energy Services, Inc. may assign this Agreement to a corporate affiliate or successor. Any other assignment shall require the prior written consent of the other Party.

9. NOTICES – Notice(s) required hereunder shall be deemed properly made if telecopied, delivered in person or certified mail to the following addresses or facsimile:

Customer's Representative:

Name:

Phone:

Fax:

UGI Energy Services, LLC Affiliated Interest Agreement for Retail Electric Supply G-00980646

UGI Energy Services, Inc.'s Representative:

Robert J. Libutti, Manager of Power Marketing
UGI Energy Services, Inc.
1100 Berkshire Blvd., Suite 305
Wyomissing, PA 19610

Telephone: (610) 373-7999 (ext 119)
Facsimile: (610) 374-4288

Disclosure Statement

DEFINITIONS

• **Basic Charges**

Distribution Charges – Part of the basic service charges on every customer's bill for the delivery of electricity from the electric distribution company to your home or business. The distribution charge is regulated by the Public Utility Commission. This charge will vary according to how much electricity you use.

Generation Charges – Part of the basic service charges on every customer's bill for producing electricity. Generation service is competitively priced and is not regulated by the Public Utility Commission. This charge depends on the terms of service between the customer and the supplier.

Transition Charges – Part of the basic service charges on every customer's bill designed to recover an electric utility's transition or stranded costs as determined by the Public Utility Commission.

Transmission Charges – Part of the basic service charges on every customer's bill for transporting electricity from the source of supply to the electric distribution company. The Public Utility Commission regulates retail transmission prices and services. This charge will vary with your source of supply.

• **Non-Basic Charges** – Any cost unrelated to the basic services of generation, transmission, distribution and transition.

• **Supplier of Last Resort** – The Company which provides at least transmission and distribution services to those who do not choose another generator, or for some reason no longer have generation services from another company. Your supplier of last resort is PP&L.

ADDITIONAL INFORMATION

1. REGULATION – The generation charge in this agreement is established by mutual agreement between UGI Energy Services, Inc. and the Customer, and not the Public Utility Commission. The Public Utility Commission, however, regulates retail transmission and distribution services and prices.

2. CUSTOMER INQUIRIES/DISPUTES – If you have a question or dispute concerning this agreement, please call UGI Energy Services, Inc. If you are not satisfied with our response, you may contact the Public Utility Commission's electric competition hotline at 1-888-782-3228. You may also write to the Public Utility Commission at P.O. Box 3265, Harrisburg, PA 17105-3265.

AGREED AND UNDERSTOOD THIS _____ DAY OF _____, 199__

To initiate deliveries by UGI Energy Services, Inc., Customer must establish a satisfactory credit history. The customer understands that establishing credit may require UGI Energy Services to request information from various credit agencies. Credit research will be done at no cost to the customer.

Customer's Name: _____

Customer Federal Tax ID Number: _____

Service Address: Main & Franklin Sts, Steelton, PA

Billing Address: _____

Signature: _____

By: _____

Title: _____

AGREED AND UNDERSTOOD THIS _____ DAY OF _____, 199__ , BY UGI ENERGY SERVICES, INC.

Signature: _____

By: Robert J. Libutti

Title: Manager, Power Marketing

UGI Energy Services, LLC Affiliated Interest Agreement for Retail Electric Supply G-00980646

COMMONWEALTH OF PENNSYLVANIA :
: ss
COUNTY OF MONTGOMERY :

AFFIDAVIT

ROBERT J. CHANEY, being duly sworn according to law, deposes and says that he is Executive Vice President of UGI Utilities, Inc.- Gas Division, a Pennsylvania corporation; that he is authorized to and does make this affidavit for it; that the arrangement summarized in the foregoing letter dated December 17, 1998 accurately reflects the proposed arrangement between UGI Utilities, Inc. and an affiliated licensed supplier of electric generation services company for the purpose of providing electric generation supply to UGI Utilities, Inc.


Robert J. Chaney

Sworn to and subscribed
before me this 17th day
of December, 1998


Notary Public

Notarial Seal
Sandra M. McCormick, Notary Public
Upper Merion Twp., Montgomery County.
My Commission Expires April 21, 2002
Member, Pennsylvania Association of Notaries

Amerigas Gas Beyond the Mains Agreement



August 7, 2013

VIA E-FILING

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

UGI Utilities, Inc.
460 North Gulph Road
King of Prussia, PA 19406

Post Office Box 858
Valley Forge, PA 19482-0858

(610) 337-1000 Telephone
(610) 992-3258 Fax

**Re: Affiliated Interest Filing of UGI Utilities, Inc.,
Docket No. G-**

Dear Secretary McNulty:

Pursuant to Section 2102 of the Public Utility Code, 66 Pa.C.S. §2102, UGI Utilities, Inc. – Gas Division (“UGI”) hereby submits for Commission approval a propane services supply agreement by and between UGI and Amerigas which will govern the provision by Amerigas of propane services to UGI for the period of July 1, 2013 through June 30, 2016 to support UGI’s Rate Gas-Beyond-the-Mains (“GBM”) service. In support thereof, UGI states the following:

I. BACKGROUND

1. UGI is a certificated natural gas distribution company serving portions of central and eastern Pennsylvania, and a wholly owned subsidiary of UGI Corporation.
2. AmeriGas, Inc., through its subsidiaries, operates the largest propane distributor in the United States (collectively “AmeriGas”).
3. An organization chart showing the corporate relationship between UGI and the UGI Affiliates is attached as Appendix A hereto.
4. UGI has operated a gas-beyond-the-mains (“GBM”) service since at least the 1960s.

Amerigas Gas Beyond the Mains Agreement

5. Upon the addition of Section 2102 to the Public Utility Code, UGI sought affiliated interest approval for the acquisition of propane and associated services and supplies from AmeriGas.

6. In an Order entered on December 16, 1982 at Docket No. G-820169, the Commission approved an affiliated interest letter agreement ("Letter Agreement") under which "[AmeriGas could] provide bulk propane sales to meet UGI's peak shaving needs, the continuance of propane purchases by UGI [from AmeriGas] for the gas-beyond-the-mains program and the purchase of miscellaneous services, supplies and fuel [by UGI from AmeriGas]."

7. Thereafter, UGI decided to terminate that portion of the Letter Agreement committing itself to purchase propane and related equipment and supplies for its gas-beyond-the-mains ("GBM") program from AmeriGas exclusively, and to seek competitive bids for these requirements.

8. After soliciting bids, AmeriGas was deemed the winner and entered into a "Gas Beyond the Mains Propane Sales Agreement" ("1988 GBM Agreement") with UGI on March 1, 1988.

9. Under the 1988 GBM Agreement, UGI reserved the right to periodically put its GBM requirements out to bid when it deemed it "necessary to secure the most competitive supply of goods and services."

10. In an Opinion and Order entered on September 15, 1988 at Docket No. G-880110, the 1988 GBM Agreement was approved by the Commission.

11. Under the terms of the 1988 GBM Agreement, AmeriGas agreed to provide propane and related services primarily at a fixed margin above a floating wholesale propane market price.

Amerigas Gas Beyond the Mains Agreement

12. While UGI periodically surveyed the market, it did not see a significant opportunity to reduce propane service acquisition costs through re-bidding, and accordingly did not seek to re-bid for a number of years.

13. In response to a Focused Management and Operations Audit conducted by the Commission's Bureau of Audits in 2005, however, UGI agreed to develop a policy "to periodically procure competitive bids for the GBM program."

14. To prepare for a new competitive bid solicitation ("RFP") in 2006, UGI filed a summary of a potential affiliated interest arrangement, and an associated Pro Forma 2006-2009 Gas Beyond the Mains Agreement (the "2006 GBM Agreement"), with the Commission on March 20, 2006.

15. In May of 2006, UGI conducted its GBM RFP, and AmeriGas submitted the winning bid.

16. In an Order entered on June 22, 2006 at Docket No. G-00061166, the Commission approved UGI's affiliated interest arrangement and associated 2006 GBM Agreement.

17. Thereafter, in conjunction with a vote to release the results of a management efficiency investigation of UGI and UGI Penn Natural Gas, Inc., the Commission adopted a motion by Commissioner Christy at its October 9, 2008 public meeting to institute a non-prosecutorial investigation of "this Commission's jurisdiction over propane distribution systems and whether we are appropriately regulating gas beyond the mains programs of jurisdictional utilities." This informal investigation was subsequently docketed at M-2008-2072850.

18. At its October 9, 2008 public meeting, the Commission also adopted a motion, authored by Commissioner Christy, which stated the following:

Amerigas Gas Beyond the Mains Agreement

In its Implementation Plan, UGI offers that in its next propane services RFP, to be held in the spring or early summer of 2009, it will require winning bidders to sell their tanks and associated equipment to the winners of future propane services RFPs. While this appears to be a positive development, I am concerned by the open ended nature of UGI's offer. I would request that UGI clarify that the future RFP be held one year after the 2009 RFP to ensure this situation will be cured in a timely manner, not at some undesignated future point in time.

Christy October 9, 2008 Motion, p.2.

19. In response to this request, UGI conducted an RFP in the spring of 2009 for propane supply services for a one-year period beginning July 1, 2009, which incorporated a requirement that the winning bidder would agree to sell equipment to the winning bidder in a subsequent UGI propane services RFP process at a specified price.

20. Amerigas was the winner in this RFP process, and was accordingly now bound contractually to sell its propane equipment to the winner of a subsequent UGI propane services RFP.

21. Thereafter, in the spring of 2010, UGI conducted a further RFP for propane services for the three-year period commencing July 1, 2010, and bidders in this process were once again required to agree to sell pertinent propane equipment to the winners of the next UGI propane services RFP.

22. Amerigas was the winner of this RFP process.

23. In conjunction with the conduct of the 2009 propane services RFP, UGI filed a request for approval of the potential affiliated interest agreement with the Commission on March 5,

Amerigas Gas Beyond the Mains Agreement

2009, along with a copy of a “Pro Forma UGI Utilities, Inc. – Gas Division Gas Beyond the Mains Propane Supply Agreement” to be used in the 2009 RFP.

24. This filing was subsequently docketed at G-2009-2094375, and in a Secretarial Letter dated March 19, 2009, the Commission extended the period for its consideration of this filing.

25. In conjunction with the issuance of its 2010 propane services RFP, UGI filed a request for approval of a potential affiliated interest agreement with the Commission on April 12, 2010, along with a copy of the “Pro Forma UGI Utilities, Inc. 2010-2013 Gas Beyond the Mains Propane Supply Agreement” (“2010-2013 GBM Supply Agreement”) to be used in the 2010 RFP.

26. This filing was subsequently docketed at G-2010-2169874, and in a Secretarial Letter dated May 11, 2010, the Commission extended the period for its consideration of this filing.

27. To date, the Commission has taken no action with respect to the affiliated interest filings at Docket Nos. G-2009-2094375 or G-2010-2169874, and it is UGI’s understanding that the Commission does not intend to rule on any UGI GBM filings pending the completion of its informal GBM investigation at Docket No. M-2008-2072850.

28. In anticipation of the expiration of its 2010-2013 GBM Supply Agreement, UGI conducted a further RFP for propane services for the three-year period commencing July 1, 2013 earlier this year.

29. The RFP was sent by express mail on May 16, 2013 to 83 potential suppliers. In addition, the RFP was posted on UGI’s Website. Responses to the RFP were due by 5:00 pm Eastern Standard Time on June 11, 2013.

30. A *pro forma* supply agreement was also circulated to potential bidders that was virtually identical to the 2010-2013 GBM Supply Agreement used during the 2010 RFP.

Amerigas Gas Beyond the Mains Agreement

31. Amerigas submitted the only bid in this RFP process, and UGI entered into a three-year propane services supply agreement with Amerigas utilizing the form agreement circulated with the RFP.

32. An executed copy of that agreement is attached in Appendix B hereto.

33. In a Tentative Order entered on July 16, 2013 at Docket M-2008-2072850, the Commission preliminarily established deadlines for the elimination of Rate GBM service to individual tank customers as of the end of their August 2014 billing cycle, to residential piped propane distribution systems on or before December 2015, and to commercial and industrial piped propane systems by December 2020.

34. A sixty-day comment period for the Tentative Order, and comments are due by mid-September.

35. Assuming the deadlines in the Tentative Order become final, the propane services agreement attached in Appendix B will meet the supply needs for residential customers through the end of UGI's Rate GBM service.

36. UGI recognizes that approval of the affiliated interest agreement attached in Appendix B would not preclude the Commission from investigating, during any formal or informal proceeding, including annual purchased gas cost filings, the reasonableness of any propane supply service purchases made pursuant to this agreement.

WHEREFORE, UGI respectfully requests affiliated interest approval for the propane

Amerigas Gas Beyond the Mains Agreement

supply services agreement attached in Appendix B.

Respectfully submitted,



Mark C. Morrow
(Attorney I.D. No. 33590)
UGI Corporation
460 North Gulph Road
King of Prussia, PA 19406-2807
Tel.: 610.768.3628
e-mail: morrowm@ugicorp.com

Counsel for UGI Utilities, Inc. –
Gas Division

Dated: August 7, 2013

Amerigas Gas Beyond the Mains Agreement

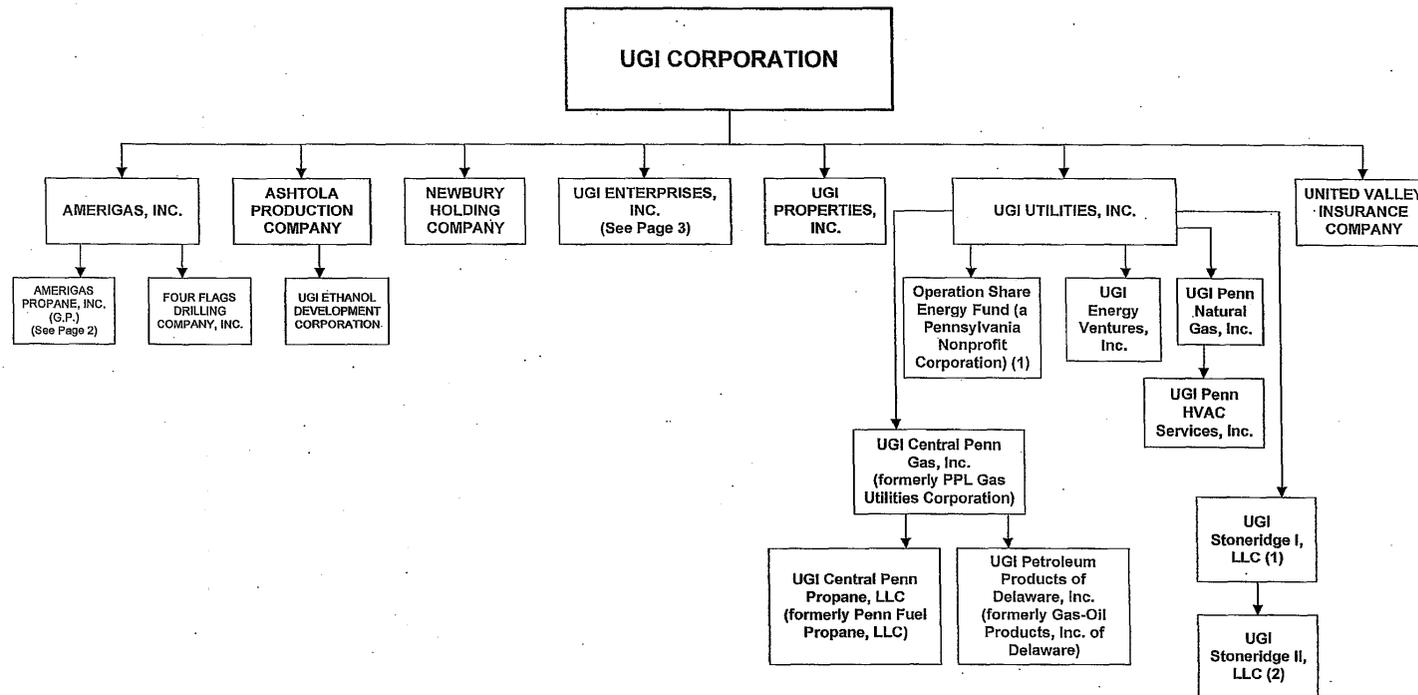
VERIFICATION

J. P. Ghio, deposes and says that he is Vice President - Supply for UGI Utilities, Inc; that he is duly authorized to and does make this verification on its behalf; that the affiliated interest arrangement summarized in the foregoing document is true and correct to the best of his knowledge information and belief, and that this verification is made subject to the penalties of 18 Pa.C.S. §4904 (relating to unsworn falsification to authorities).


J. P. Ghio

Amerigas Gas Beyond the Mains Agreement

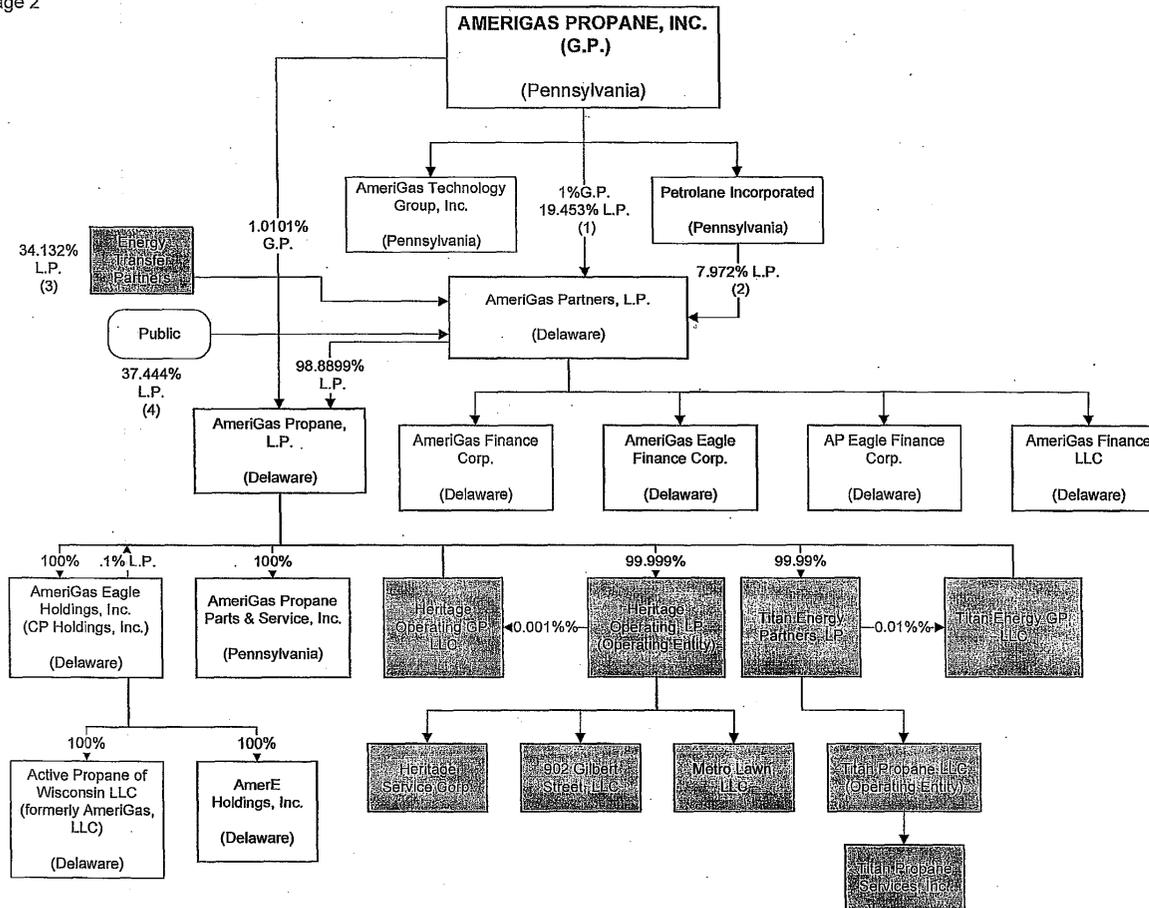
APPENDIX A
(Organization Chart)



Amerigas Gas Beyond the Mains Agreement

Page 10 of 34

(1) UGI Utilities, Inc. is sole member
(2) UGI Stoneridge I, LLC is sole member



(1) 16,851,298 Common Units
 (2) 6,905,584 Common Units
 (3) 29,567,362 Common Units
 (4) 32,436,587 Common Units

Amerigas Gas Beyond the Mains Agreement

APPENDIX B

(2013-2016 Propane Services Agreement)

Amerigas Gas Beyond the Mains Agreement

UGI UTILITIES, INC. 2013-2016
GAS BEYOND THE MAINS
PROPANE SERVICES AGREEMENT

This UGI Utilities, Inc. 2013-2016 Gas Beyond the Mains Propane Services Agreement ("Agreement") is made this 11th day of June 2013, by and between Amerigas ("Supplier"), a Delaware Corporation, with offices at 460 North Gulph Road, King of Prussia PA and UGI Utilities, Inc. ("UGI"), a Pennsylvania corporation, with offices at 2525 North 12th Street, Post Office Box 12677, Reading, PA 19612.

BACKGROUND

UGI is a natural gas distribution company serving portions of eastern and central Pennsylvania whose rates and terms and conditions of service are subject to regulation by the Pennsylvania Public Utility Commission ("PUC").

Supplier is a distributor of propane and a provider of related services and equipment.

UGI may, from time to time, utilize propane to provide service to customers requesting natural gas distribution service where the extension of natural gas facilities is currently uneconomic ("GBM Service").

In providing GBM Service, UGI may, in certain instances, supply customers from individual propane tanks; in other instances UGI may install distribution facilities to serve multiple customer locations from a central propane tank or tanks.

To provide GBM Service, UGI has a need for propane supplies and related services and equipment.

Supplier is willing, pursuant to the terms and conditions of this Agreement, to supply such propane and related supplies and equipment.

Amerigas Gas Beyond the Mains Agreement

UGI is willing, pursuant to the terms and conditions of this Agreement, to acquire such propane and related supplies and equipment from Supplier.

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

1. Commencement of Service to Pre-existing Locations - On or before June 21, 2013,

UGI shall inform Supplier of (a) the locations of the propane tanks and associated equipment then being utilized by UGI's existing propane supplier to supply propane for UGI's GBM Service, (b) the ownership of these facilities, (c) the size of propane tanks then being utilized, and (d) such other information that UGI deems appropriate. On or before July 31, 2013, Supplier shall make necessary arrangements to either acquire (UGI's existing propane services supplier is obligated to sell its propane equipment at replacement costs which, in the case of propane tanks, shall be deemed to be the then-prevailing price of the same or similar tank in the Trinity Containers, LLC equipment catalog or, in the event the Trinity Containers, LLC catalog is no longer available, a reasonably similar catalog) or replace the existing propane tanks and associated equipment, other than existing propane tanks and associated equipment owned by UGI ("UGI Propane Facilities"), with its own propane facilities ("Supplier Propane Facilities") and commence the delivery of propane to UGI Propane Facilities and Supplier Propane Facilities to enable UGI to provide GBM Service to UGI GBM customers. When replacing propane tanks and associated equipment utilized by UGI's existing propane supplier, Supplier shall coordinate its activities with UGI and UGI's existing propane supplier to make sure that Supplier's propane tanks and associated equipment are installed and commence service without any interruption of service to UGI customers. If it is technically impossible to avoid an interruption of service, or if service is interrupted unintentionally, Supplier shall notify UGI and shall be responsible for the costs incurred

Amerigas Gas Beyond the Mains Agreement

by UGI in arranging for the relighting of customer equipment at the labor rates specified in Appendix C hereto.

2. Coordination - When providing equipment or propane delivery services under this Agreement, Supplier shall coordinate its efforts with UGI to ensure that its propane tanks and associated equipment are properly connected to UGI's facilities and that propane service is provided in a safe and effective manner.

3. Use of Subcontractors - To ensure the reliable delivery of propane, Supplier shall not delegate any of its responsibilities under this agreement to subcontractors or agents without the express prior written consent of UGI, which may be withheld in UGI's sole discretion.

4. Removal of Facilities - If propane tank(s) and equipment provided by Supplier are no longer required because of a termination of GBM Service, including instances where UGI is converting GBM Service customers to natural gas distribution service, UGI shall notify Supplier via e-mail or other electronic means of communication or in writing of the need to remove the propane tank(s) and associated equipment, and Supplier shall schedule and complete the removal of its facilities, unless otherwise agreed by UGI, within thirty (30) days of the latter of its receipt of the notice or the date GBM Service is terminated. Supplier shall credit UGI, at the volumetric rate specified in Appendix A, for the propane inventory in the propane tanks that are removed, less a reasonable fee to remove the propane from the tanks.

5. Propane Tank Placement - Where GBM Service requires the placement of propane facilities on a GBM Service customer's property, UGI shall ensure the customer provides a suitable location for such facilities and reasonable access thereto in accordance with the terms of the UGI Tariff and applicable regulatory requirements. Where GBM Service

Amerigas Gas Beyond the Mains Agreement

requires the installation of propane facilities, including propane storage tanks, to serve multiple customer locations, UGI shall provide Supplier with a suitable location for the placement, operation and maintenance of such facilities, and shall take into consideration and make commercially reasonable efforts to accommodate any Supplier requests concerning the characteristics of such locations. In the event that Supplier must redeliver propane because it is unable to gain access to a propane tank(s) serving multiple customer locations due solely to UGI's failure to provide reasonable access to the tank through facilities under UGI's control, Supplier may include in its invoice to UGI its reasonable and customary redelivery rate or charge.

6. Provision of Equipment - Where GBM Service is to be provided to multiple customer locations from a central propane tank(s) at locations that were providing propane for GBM service prior to July 1, 2013, Supplier shall provide, unless UGI-owned facilities are already in place, (a) a suitably sized propane tank(s), (b) an appropriate propane tank base(s), (c) fencing around the propane tank(s) to the extent required by applicable fire safety codes or applicable federal, state and local laws and regulations, and, unless otherwise agreed by UGI, (d) regulators, manifolds and piping connecting the propane tank(s) to the existing point of interconnection with UGI's distribution facilities. Where a new or existing GBM Service customer account is to be served by a propane tank dedicated exclusively to the service of that account, Supplier shall provide (a) a suitably sized propane tank(s), (b) an appropriate tank base(s), (c) fencing around the propane tank(s) to the extent required by applicable fire safety codes or applicable federal, state and local laws and regulations and (d) regulators, manifolds and piping connecting the propane tank(s) to the location of UGI's meter. Unless otherwise agreed to by UGI, UGI shall be responsible for connecting Supplier's facilities to UGI's distribution facilities. In the event UGI has reasonable grounds to believe that the

Amerigas Gas Beyond the Mains Agreement

propane tank(s) and related facilities provided by Supplier may not be sufficient to enable UGI to provide adequate, efficient, safe and reasonable service without interruption to UGI GBM Service customers, UGI shall inform Supplier of its concerns and Supplier shall promptly confer with UGI and attempt, in good faith, to find a mutually acceptable solution. In the event such a solution is not arrived at within ten (10) business days, the parties shall refer the matter to their senior management who shall attempt, for a period of ten (10) additional business days, to reach a mutually acceptable solution. In the event a mutually acceptable agreement is not reached, either party may resort to any other remedies it may have under this Agreement. Supplier shall ensure that UGI personnel have the ability to access Supplier's propane tank(s) and associated equipment at all times, including access to fenced areas.

7. Operational Responsibility - At each Supplier propane tank location, Supplier, unless otherwise agreed by UGI, shall provide UGI with a drawing showing the point of interconnection (the "Interconnection Point") between Supplier's and UGI's facilities. UGI's acceptance of such a drawing shall not be deemed an acceptance of the accuracy of it and shall not shift the responsibility of the parties for the maintenance of their respective facilities. All propane tanks and associated equipment provided by Supplier pursuant to this Agreement and all equipment provided by UGI for the provision of GBM Service shall be designed, installed, operated and maintained in accordance with all applicable National Fire Protection Association Codes and all applicable federal, state and local laws and regulations. Supplier shall be responsible for ensuring that all propane equipment sites are maintained in accordance with all applicable National Fire Protection Association Codes and all applicable federal, state and local laws and regulations.

8. Propane Supply - As of the date Supplier's propane facilities are installed or purchased

Amerigas Gas Beyond the Mains Agreement

and connected to UGI's distribution facilities, and thereafter throughout the term of this Agreement and any extensions thereof, Supplier shall supply and deliver propane to its propane tanks pursuant to its obligations under this Agreement so that UGI customers receiving GBM Service shall have an uninterrupted supply of propane, and do not experience any undue risk of interruption. If UGI discovers that a propane tank for which Supplier has a propane delivery obligation under this Agreement has a fuel level that is at or below a level that would be required to provide adequate supply and vaporization capability to meet potential peak load conditions over the following five days (a "Low Propane Condition"); it shall notify Supplier within twenty-four hours by phone, fax or other acceptable means of electronic communication of this fact. If Supplier does not correct the Low Propane Condition within twenty-four (24) hours by delivering propane to the tank(s), or notifies UGI that it will not be able to do so, UGI, acting as supplier's agent, may arrange to have a third party fill the tank. If UGI makes such an arrangement with a third party, it shall promptly notify Supplier of this fact and, in addition to any other remedies UGI may have under this Agreement, shall be entitled to reimbursement from Supplier for all reasonable charges and expenses incurred in arranging third party propane deliveries, including the amount by which third party propane supplier charges exceed the amount Supplier would have charged for such deliveries under this Agreement and UGI labor charges computed at the rates specified in Appendix C hereto (collectively "Reimbursable Expenses"). UGI may, in its sole discretion, separately bill Supplier for Reimbursable Expenses or deduct such Reimbursable Expenses, in whole or in part, from the amounts UGI otherwise owes Supplier. To minimize the possibility of supply disruptions, and to ensure there is a prompt response in the event a Low Propane Condition or other emergency condition, Supplier shall have a contact person available to receive communication from UGI twenty-four (24)

Amerigas Gas Beyond the Mains Agreement

hours per day during each day of the year throughout the term of this Agreement and any extensions thereof.

9. Interruption of GBM Service - If GBM Service is interrupted because of Supplier's failure to perform its obligations hereunder, UGI shall notify Supplier of the supply interruption and Supplier shall take immediate action to correct its failure to perform and to take whatever actions are required to restore propane supplies for GBM Service. If, in UGI's sole judgment, Supplier is not taking immediate and adequate action to remedy the situation, UGI may, in addition to any other remedies it may have under this Agreement, take actions required to restore service to GBM Service customers including, if necessary, arranging, as supplier's agent, to have a third party fill the Supplier propane tanks. If UGI takes such actions, it shall promptly notify Supplier of this fact. UGI shall bill Supplier, and Supplier shall pay to UGI, an amount equal to the reasonable charges and expenses incurred in taking action to have service restored to GBM Service customers, including the amount by which third party propane supplier charges exceed the amount Supplier would have charged for such deliveries under this Agreement, UGI labor charges computed at the rates specified in Appendix C hereto (based on an estimate of the fully allocated costs, including overhead, of UGI employees who might be called upon to perform such work), and a penalty charge equal to three times UGI's direct costs. In addition, in the event GBM Service is interrupted because Supplier permitted propane to run out in a propane tank connected to UGI distribution facilities serving fifteen or more customers, UGI, in its discretion, may require Supplier to install a remote monitoring system that can remotely communicate to Supplier and UGI the level of propane in the tank. UGI may, in its discretion, waive any penalty charges without prejudice to its right to assess penalties for

Amerigas Gas Beyond the Mains Agreement

any future failure to perform. Nothing in this Section 10 shall reduce or affect the Supplier's indemnification obligations hereunder.

10. Propane Specifications - All propane provided by Supplier under this Agreement shall, unless otherwise agreed by UGI in writing, meet the HD-5 standard. All propane deliveries shall also meet Gas Producers Association Standard 2140 or ASTM Standard D1835, or any successor standards, and shall be odorized consistent with NFPA Code No. 58, or any successor, standards.

11. Payment and Billing - UGI shall pay the amounts set forth in Appendix A hereto for propane and related services provided by Supplier in accordance with the terms of this Agreement. Supplier shall bill UGI monthly by submitting an invoice to UGI. Each such invoice shall provide UGI with documentation, in a form acceptable to UGI, of the amount, time and location of each propane delivery. If Supplier is compensated separately for propane tank installations or other services, then documentation, in a form acceptable to UGI, of such installations or services shall be provided with the appropriate invoice. UGI shall pay invoiced amounts within twenty-five (25) days of its receipt of the invoice. UGI shall pay Supplier a late charge of one percent (1%) per month for all overdue balances. If a billed amount is disputed, UGI shall pay the undisputed amount on or before the due date, and shall provide Supplier with a written explanation of the grounds for its dispute. If it is subsequently determined that the disputed amount is due to Supplier, UGI shall pay the disputed amount to Supplier promptly, plus interest at the rate of one percent (1%) per month.

12. Force Majeure - UGI and Supplier shall not be liable to the other for any act, omission or circumstance occasioned by or in consequence of any force majeure, which shall mean acts of God, strikes, lockouts, acts of the public enemy, wars, blockades,

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insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, arrests and restraints of rulers and peoples, civil disturbances, explosions, the binding order of any court or governmental authority which has been resisted in good faith by all reasonable legal means, and any other cause not reasonably within the control of the party claiming suspension and which by the exercise of due diligence such party is unable to prevent or overcome; provided, however, that Supplier acknowledges that adverse weather conditions can reasonably be anticipated to occur and can be planned for, and that such weather conditions shall not be deemed a force majeure event. Such causes or contingencies affecting the performance hereunder by either UGI or Supplier, however, shall not relieve it of liability in the event of its concurrent negligence or in the event of its failure to use due diligence to remedy the situation and to remove the cause in an adequate manner and with all reasonable dispatch. Any party claiming force majeure shall provide prompt written notice to the other party and advise as to the extent of the interruption, its date, its cause, and probable duration. In the event Supplier is not able to deliver propane to a tank(s) because of a force majeure event, UGI, acting as supplier's agent, may arrange to have a third party fill the tank. If UGI makes such an arrangement with a third party, it shall promptly notify Supplier of this fact.

13. Confidentiality - Supplier shall only use GBM customer information disclosed by UGI hereunder for the purpose of fulfilling its obligations under this Agreement, and shall not disclose such information to third parties without the prior written consent of UGI. This obligation shall not apply to information in the possession of Supplier prior to the time UGI disclosed the information, information which was legally received from a third party who represents that the information is not subject to a confidentiality agreement or which was in the public domain at the time of disclosure, or subsequently became part of the public domain through no fault of

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Supplier. The provisions of this Section 14 shall survive the termination of this Agreement for any reason for a period of two (2) years.

14. Contractor Status - Supplier acknowledges that it will be acting as an independent contractor and neither Contractor nor any of its employees or contractors shall be deemed to be an employee or agent of UGI or its affiliates by virtue of its performance of its obligations under this Agreement.

15. Performance Assurance - UGI may, at its option, require Supplier to provide UGI with a Performance Bond, a Performance and Payment Bond or other security in a form or forms acceptable to UGI. Supplier shall cooperate in providing third parties with information necessary for the issuance of any required bonds or other forms of financial security.

16. Breach and Default - A party hereto shall be deemed to be in Breach of this Agreement if it fails to pay an undisputed amount due to the other party twenty days after the due date for such payment or a party fails to perform or observe any material term or condition of the Agreement. In the event a breach, the non-breaching party shall provide the breaching party with a written notice of the breach. Thereafter, if the breach is not rectified or cured within twenty (20) days after receipt of the notice, the breaching party shall be deemed to be in default of the Agreement.

17. Indemnification - Supplier and UGI each agree to hold the other harmless and to indemnify the other and their respective officers, employees, directors, agents, contractors and successors and assigns against any claims from third parties, including claims for personal injury or property damage, arising out of the performance or nonperformance of their respective obligations under this Agreement.

18. Insurance - Prior to performing any services under this Agreement, Supplier shall deliver to UGI certificates of insurance evidencing the following insurance coverages which shall be

Amerigas Gas Beyond the Mains Agreement

maintained during the term of this Agreement, and which shall include UGI as an additional insured on the Comprehensive General Liability and Automobile Liability policies:

- a) Comprehensive General Liability, insuring Supplier for Property Damage, Bodily Injury, Personal Injury, including sickness, disease and/or mental anguish, in limits of not less than \$5,000,000 per occurrence. This coverage will be applicable to liability arising from:
 - (1) Operations in performance of work
 - (2) Liability assumed by contract
 - (3) Products/Completed Operations
 - (4) Contractor's Protective Liability
 - (5) "X" "C" "U" coverage if underground operations are required to perform tasks under the Agreement. The policy should be endorsed, deleting the word "accident" from the insuring clause and substituting "occurrence" for "accident" in the clause and other pertinent clauses in the policy which are applicable thereto.
- b) Automobile Liability, insuring Supplier against claims for Bodily Injury, including sickness, disease or mental anguish in limits of not less than \$1,000,000 per occurrence; and Property Damage in the limit of not less than \$1,000,000 per accident, covering the operation of owned, leased, hired and non-owned automotive equipment.
- c) Workers Compensation and Occupational Disease Coverage, providing Supplier with statutory benefits under Pennsylvania Statute and Employer's Liability Limit, under Coverage B of the standard policy, of not less than \$1,000,000 per accident for injury and \$1,000,000 aggregate for Occupational Disease.
- d) Fire and Extended Coverage Insurance, on equipment, stock, materials and supplies at risk under this Agreement, covering the interest of Supplier and UGI. Each such certificate and policy shall provide that no cancellation or non-renewal of, or material change in, the policy

Amerigas Gas Beyond the Mains Agreement

shall become effective except upon thirty (30) days' prior written notice thereof by the insurance company to UGI. All required insurance coverage hereunder shall be provided by reliable insurance companies, deemed satisfactory by UGI, and authorized to do business in Pennsylvania.

19. Effective Date and Term and Sale of Propane Equipment - This Agreement shall become effective on the date first above written, shall remain in effect until for an initial term ending on June 30, 2016. In the event UGI, in anticipation of or after the completion of the initial term of this Agreement, selects a new propane services supplier for its GBM program, Supplier shall sell, if requested by the new propane service supplier or UGI, any or all of its propane equipment described in Section 7 hereof to the new propane services supplier or UGI at a cost which shall be no greater than replacement costs which, in the case of propane tanks, shall be deemed to be the then-prevailing price of the same or similar tank in the Trinity Containers, LLC equipment catalog, inclusive of delivery charges but not installation costs, or, in the event the Trinity Containers, LLC catalog is no longer available, a reasonably similar catalog. Any propane equipment sales shall be consistent with the terms and conditions in the Bill of Sale and Indemnification Agreement attached as Appendix D hereto. Supplier agrees that propane supply equipment which is not sold consistent with this section shall be removed at Supplier's cost, and that Supplier shall reasonably cooperate with the new propane services supplier in the removal and replacement of Supplier's equipment so that service disruptions to GBM customers are minimized or avoided entirely.

20. Termination - UGI shall have the right to terminate this Agreement if (a) Supplier is in default of its obligations under this Agreement; (b) UGI determines, in its sole discretion, that it is unable to recover costs associated with this Agreement through its regulated rates in an acceptable and satisfactory manner, (c) Supplier fails to provide performance assurance

Amerigas Gas Beyond the Mains Agreement

required under this agreement in a timely manner or (d) UGI has a reasonable basis to believe that Supplier is insolvent or bankrupt, or insolvency or bankruptcy proceedings are initiated against Supplier. In the event this Agreement is terminated for any reason, including the expiration of its term, Supplier may be required, at UGI's discretion, to remove some or all of its propane tanks and associated equipment at its own cost.

21. Notices - Any notice, communication, request, reply or advice (hereinafter severally and collectively called "notice") in this agreement provided or permitted to be given, made, or accepted by either party to the other must be in writing and may be given or be served by depositing the same in the United States mail, addressed to the party to be notified, postage prepaid, or by delivering the same in person to such party or by facsimile or other mutually acceptable form of electronic communication. Notice deposited in the mail in the manner herein described shall be effective only if and when received by the parties to be notified. Notices, until changed as hereinafter provided, shall be delivered to the follow addresses:

If to Supplier:

If to UGI: Manager, Supply Planning & Procurement
2525 North 12th Street
Suite 360
Post Office Box 12677
Reading, PA 19612-2677

or at such other address as Buyer may have advised Seller in writing.

22. Controlling Law - The interpretation and performance of this Agreement shall be in accordance with and controlled by the laws of the Commonwealth of Pennsylvania.

23. Waiver - A failure or delay on the part of either party to exercise a right, remedy, power or privilege under the Agreement, including the right to assess a penalty; shall not operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege

Amerigas Gas Beyond the Mains Agreement

preclude any other or further exercise of the same, nor shall any waiver of any right, remedy, power or privilege with respect to any other occurrence be construed as a waiver of such right, remedy, power or privilege with respect to any other occurrence.

24. Severability - If any portion of the Agreement is found to be invalid or illegal, it shall not affect the validity or enforceability of any other portion of the Agreement.

25. Assignment - Neither party shall assign any of its rights or obligations under this Agreement without the prior written consent of the other party, which shall not be unreasonably withheld; provided, however, that either party may, without the consent of the other party, transfer or assign this Agreement to any person or entity succeeding to all or substantially all of the assets of such party, whether by sale, consolidation, merger or otherwise.

26. Amendments - This Agreement may not be amended or supplemented except by a written instrument duly executed by both parties.

27. Counterparts - This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute but one and instrument.

28. Integration - The foregoing and any exhibits or appendices mentioned specifically therein constitute the entire agreement between the parties relating to the subject matter hereof, and all previous and contemporaneous agreements, understandings, discussions, inducements, conditions, communications and correspondence, whether written or oral, express or implied, with respect to the subject matter hereof are superseded by the execution of this Agreement.

Amerigas Gas Beyond the Mains Agreement

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly authorized officers as of the day and year first above written.

(2)

UGI UTILITIES, INC.



Name printed: *M. M.*
Title: *[Signature]*

SUPPLIER



Name Printed: Bob Young
Title: Operations Vice President
Americas

Amerigas Gas Beyond the Mains Agreement

APPENDIX A

Propane Service Pricing Schedule

	0 — 1,999 gallons	2,000 — 8,999 gallons	9,000 — 14,000 gallons	15,000+ gallons
Fixed Price	\$0.525	\$0.525	\$0.225	\$0.225

Note: The fixed prices listed above are all inclusive (Please make sure that you review carefully all supplier responsibilities as reflected in the Pro Forma Agreement) except for the commodity cost of propane which is the posted price at (see 1. below) as published by (see 2. below) on the delivery day, if applicable, or the immediate preceding publication. The volume ranges above for the determination of the fixed price bid references the total tank storage volume at each location a delivery is made, not the volume of the propane delivered at each location. For instance, a delivery of 1,000 gallons to a customer with a 30,000 gallon tank would have an associated fixed price in the "15,000+ gallons" category.

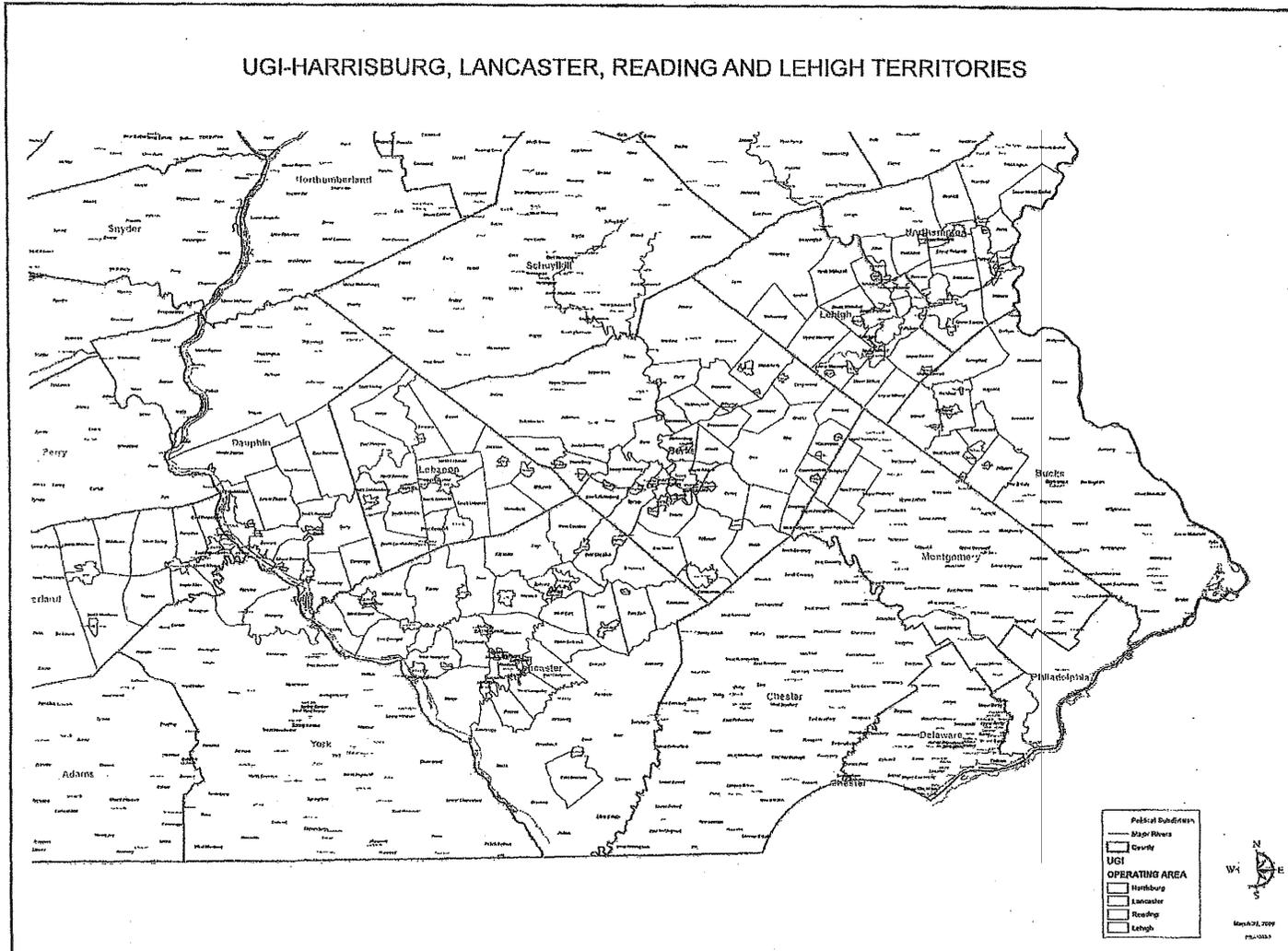
1. "Plains Marketing" Schaefferstown, PA
2. BPN Weekly Propane Newsletter

Amerigas Gas Beyond the Mains Agreement

APPENDIX B

Areas Supplier is Obligated to Serve

Please see UGI's territory map on the following page.



Amerigas Gas Beyond the Mains Agreement

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APPENDIX C

Labor Rates

The labor rate shall be \$244.00/hour.

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APPENDIX D

Bill of Sale and Indemnification Agreement

Please see the Agreement on the following pages.

Amerigas Gas Beyond the Mains Agreement

BILL OF SALE AND INDEMNIFICATION AGREEMENT

BILL OF SALE dated _____, from _____, a _____ corporation ("Seller") to _____, a _____ ("Buyer").

Pursuant to due authorization, Seller is presently executing and delivering this Bill of Sale to Buyer for the purpose of selling to and vesting in Buyer good and marketable title, subject to the restrictions and limitations set forth herein, title to the following Tank("Tank"):

<u>Description (Volume)</u>	<u>Manufacturer</u>	<u>Serial No.</u>
_____ gallon (wc) propane tank		

In consideration for Seller's execution and delivery of this Bill of Sale, Buyer agrees to indemnify and hold harmless Seller as set forth below.

NOW, THEREFORE, in consideration of the premises and other valuable consideration of (u. s.) \$ _____, receipt of which is hereby acknowledged, Seller has sold, conveyed, transferred, assigned, set over to, and vested in, and by these presents does sell, convey, transfer, assign, set over to, and vest in, BUYER, his heirs, executors, administrators and assigns, all of Seller's right, title and interest, legal and equitable, in and to the Tank.

TO HAVE AND HOLD the foregoing Tank unto Buyer, his heirs, executors, administrators and assigns forever.

THE TANK WILL BE DELIVERED TO BUYER AS IS AND WHERE IS, WITH ALL FAULTS, AND SELLER MAKES NO OTHER WARRANTIES, GUARANTEES OR REPRESENTATIONS OF ANY KIND, EITHER EXPRESS OR IMPLIED, ARISING BY LAW OR OTHERWISE, THAT SHALL SURVIVE DELIVERY OF THE TANK TO BUYER PURSUANT TO THIS INSTRUMENT, INCLUDING, BUT NOT LIMITED TO, THE CONDITION OR VALUE OF SUCH TANK, ANY IMPLIED WARRANTY OF MERCHANTABILITY, ANY IMPLIED WARRANTY ARISING FROM COURSE OF PERFORMANCE, COURSE OF DEALING OR USAGE OR TRADE, AND ANY IMPLIED WARRANTY OF FITNESS FOR ANY PARTICULAR PURPOSE. IN ADDITION, ALL OTHER LIABILITY THAT MAY ARISE WITH RESPECT TO THE USE, SALE OR LEASE OF THE TANK EITHER IN CONTRACT OR TORT, INCLUDING WITHOUT LIMITATION, STRICT LIABILITY FOUNDED IN SECTION 402A OF THE RESTATEMENT OF TORTS OR OTHERWISE, IS EXPRESSLY DISCLAIMED AND NEGATED.

Amerigas Gas Beyond the Mains Agreement

By its execution of the Agreement and Acknowledgment below, Buyer acknowledges receipt of the Tank and a copy of this Bill of Sale and agrees that:

(a) Buyer will pay all sales, use and transfer taxes, if any, resulting from the sale of the Tank to Buyer; and

(b) Delivery of possession shall be deemed to have occurred on the date hereof, and all risk of loss to the Tank WHETHER OR NOT COVERED BY INSURANCE, shall be on, pass to and be on Buyer from and after such time.

(c) Buyer acknowledges that the Tank has been used for the storage of propane and that in the event it is to be used for the storage of any other commodity, Buyer should investigate and determine whether the Tank must be purged and cleaned and the proper method of such purging and cleaning.

(d) Buyer hereby irrevocably and unconditionally indemnifies and holds harmless Seller and each of Seller's owners, partners, agents, directors, officers, employees, insurers, representatives, attorneys, divisions, subsidiaries, parents, affiliates, and its and their predecessors, successors, heirs, executors, administrators and assigns, and all persons acting by, through, under or in concert with any of them, of and from any and all actions, causes of action, suits, debts, charges, complaints, claims, liabilities, obligations, promises, agreements, controversies, damages and expenses (including attorney's fees and costs), of any nature whatsoever, in law or equity, arising from or in any way related to the possession, sale, lease or use of the Tank which is the subject of this Agreement, including any alleged violation of any federal, state or local law, statute, rule, regulation, ordinance or common law relating to the Tank in any way.

This instrument shall be governed by and enforced in accordance with the laws of the Commonwealth of Pennsylvania.

IN WITNESS WHEREOF, Seller has caused this Bill of Sale to be duly executed on the date first above written.

By: _____
Title: _____

AGREED TO AND ACKNOWLEDGED
AS _____

BY: _____
Name of Buyer

AIA UGI HVAC G-00051142 - Affiliate Interest Agreement

**PENNSYLVANIA
PUBLIC UTILITY COMMISSION
Harrisburg, PA 17105-3265**

Public Meeting held December 1, 2005

Commissioners Present:

Wendell F. Holland, Chairman
James H. Cawley, Vice Chairman, Statement attached
Bill Shane
Kim Pizzingrilli
Terrance J. Fitzpatrick

Application of UGI Utilities, Inc. for approval to acquire the voting capital stock of a newly formed subsidiary, for the transfer of certain assets and for approval of an affiliated interest arrangement.

Docket No.:
A-123100 F0034
G-00051142

ORDER

BY THE COMMISSION:

On August 22, 2005, UGI Utilities, Inc. (UGI) filed the above captioned application to Chapter 11 of the Public Utility Code, 66 Pa. C.S. §§1102, *et seq.*, seeking approval of the proposed acquisition of the voting capital stock of a new subsidiary and the transfer of the assets of its unregulated HVAC business to the new subsidiary (NewCo). UGI also seeks approval of an affiliated interest arrangement whereby NewCo leases certain office space for its employees. On September 20, 2005, UGI voluntarily extended the consideration period to October 28, 2005. Notice of UGI's application was published in the Pennsylvania Bulletin on October 1, 2005. On October 26, 2005, UGI further extended the consideration period of the instant application to December 12, 2005.

For the past 4 years, the HVAC business has operated as a separate business unit of UGI, having separate work force, separate collective bargaining agreements and a

AIA UGI HVAC G-00051142 - Affiliate Interest Agreement

separate management structure up to the level of President and CEO of UGI. The purpose of this transfer is to formally separate this unregulated business from UGI's regulated natural gas sales and distribution business. The transfer of the HVAC business will not adversely affect the quality of service currently provided to UGI customers.

The Applicant avers that the transfer of assets of the HVAC business to the new subsidiary will serve the public interest in that it will allow the Applicant to grow and become a stronger competitor in a non-regulated market. Upon consideration, we conclude that the record provides substantial evidence of affirmative public benefit sufficient to warrant approval of the proposed transactions under *City of York v. Pennsylvania Public Utility Commission*, 449 Pa. 136, 295 A.2d 825 (1972).

Having thus reviewed the application concerning the transfer of assets of UGI's HVAC division to the new subsidiary, we find that the transfer is necessary or proper for the service, accommodation, convenience, or safety of the public, and that the application should be approved; **THEREFORE,**

IT IS ORDERED:

1. That the application concerning the acquisition of the voting capital stock of a newly formed subsidiary, NewCo, and the transfer assets of UGI Utilities, Inc. HVAC division to NewCo, is hereby approved and a Certificate of Public Convenience be issued to UGI Utilities, Inc. evidencing such approval.

2. That the application concerning the Affiliated Interest Arrangement, docketed at **G-00051142**, between NewCo and UGI Utilities, Inc., in which NewCo will

AIA UGI HVAC G-00051142 - Affiliate Interest Agreement

reimburse UGI Utilities, Inc. for the allocated costs associated with its use of space in several UGI facilities, is hereby approved.

3. That notice of the date of consummation of the transaction approved in Ordering Paragraph No. 1, above, be filed within 60 days of such consummation.

4. That the case be marked closed.

BY THE COMMISSION

James J. McNulty
Secretary

(SEAL)

ORDER ADOPTED: December 1, 2005
ORDER ENTERED: December 1, 2005

AIA UGI HVAC G-00051142 - Affiliate Interest Agreement



UGI Utilities, Inc.
460 North Guilph Road
King of Prussia, PA 19406
Post Office Box 858
Valley Forge, PA 19402-0858
(610) 337-1000 Telephone
(610) 992-3258 Fax

August 22, 2005

VIA FEDERAL EXPRESS

James J. McNulty, Secretary
Pennsylvania Public Utility Commission
P.O. Box 3265, North Office Building
Harrisburg, PA 17105-3265

Re: **Application of UGI Utilities, Inc. for approval to form subsidiary and transfer assets, Docket No. A-**

Dear Secretary McNulty:

Enclosed for filing are an original and three copies of the above-captioned Application of UGI Utilities, Inc. ("UGI") for approval to form a subsidiary and transfer assets, together with the \$350 filing fee.

In this filing, UGI proposes to transfer to a new subsidiary ("NewCo", which will be incorporated upon the Commission's approval of this application) approximately \$1.2 million in net value of assets currently employed in providing unregulated HVAC services to commercial and residential customers. These services consist mostly of designing heating and cooling systems and selling, installing and servicing heating and cooling appliances. UGI performs these services at non-tariffed rates. The assets being transferred consist primarily of accounts receivable, inventory, fixed assets (primarily tools whose capital value exceeds \$500) and the assets and off-setting liabilities associated with service contracts.

The purpose of this transfer is to formally separate this unregulated business from UGI's regulated natural gas sales and distribution business. For the past 4 years, the HVAC business has operated as a separate business unit of UGI, having a separate work force, separate collective bargaining agreements and a separate management structure up to the level of President and CEO of UGI.

UGI is one of the few companies that continues to maintain an HVAC service business within its utility operations. The formal separation of this business from the gas sales and distribution business is consistent with the policy underlying the restructuring of the natural gas industry pursuant to the Natural Gas Choice and Competition Act and with the realities of the marketplace for HVAC services. It benefits ratepayers by shielding them from the market risks that are inherent in the competitive HVAC industry and by allowing UGI management to focus without distraction on the provision of utility services. It benefits the HVAC business by allowing it to employ lines of credit, customer accounting systems and business development strategies that are

AIA UGI HVAC G-00051142 - Affiliate Interest Agreement

Pennsylvania Public Utility Commission
Page 2
8/22/2005

appropriate to a competitive business. UGI believes that a separate HVAC services business will be able to grow both within and outside the utility's existing service territory if it is free of regulatory constraints on its ability to share systems, workforces and business opportunities with its other unregulated affiliates.

The transfer will have the beneficial effect of preserving and possibly creating new jobs in a more competitive, non-regulated business. A total of approximately 117 employees will be transferred to NewCo. Some of the employees are members of collective bargaining units and have rights under two union contracts. NewCo will assume all of UGI's obligations under the union contracts and the transfer will have no effect on the collective bargaining rights of any employees.

The transfer of assets from the Gas Division of UGI Utilities to a separate, non-regulated business entity will have a negligible effect on the rate base of the Gas Division. Other than inventory of approximately \$550,000, none of the assets to be transferred would have been included in prior UGI rate proceedings. The value of the inventory represents approximately one-tenth of a percent of the current estimated rate base of more than \$530 million.

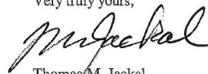
The transfer of the HVAC business will not adversely affect the quality of utility service UGI provides to its customers. As previously noted, the HVAC business operates as a separate business unit within UGI. UGI's gas utility does not rely on HVAC employees to respond to leak emergencies or to perform construction, maintenance or repairs on its pipeline system.

The HVAC business will fully reimburse UGI for administrative services pursuant to an administrative services agreement, approved by the Commission at G-920296. In addition, it will continue to occupy a small amount of space in various UGI facilities and will reimburse UGI for the allocated costs associated with its use of the space.

In accordance with the Commission's Regulations at 52 Pa. Code §1.51, please inform us as to any additional requirements of service and public notice.

Also enclosed is a copy of this cover letter, which should be date-stamped and returned in the enclosed self-addressed, stamped envelope.

Very truly yours,



Thomas M. Jackal
Vice President - Law

TMJ/mg

Enclosures

AIA UGI HVAC G-00051142 - Affiliate Interest Agreement

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

APPLICATION OF UGI UTILITIES, INC. :
FOR APPROVAL TO ACQUIRE THE VOTING :
CAPITAL STOCK OF A NEWLY FORMED :
SUBSIDIARY PURSUANT TO 66 PA.C.S. §1102(a)(4), :
FOR THE TRANSFER OF CERTAIN ASSETS :
PURSUANT TO 66 PA.C.S. §1102(a)(3) AND :
FOR APPROVAL OF AN AFFILIATED :
INTEREST ARRANGEMENT PURSUANT TO :
66 PA.C.S. §2102 : Docket No. A-

TO THE PENNSYLVANIA PUBLIC UTILITY COMMISSION:

1. The name and address of applicant is:

UGI Utilities, Inc.
100 Kachel Boulevard
Suite 400
Green Hills Corporate Center
Reading, PA 19607

2. The name and address of applicant's attorney is:

Thomas M. Jackal
460 North Gulph Road
King of Prussia, PA 19406
Tel.: (610) 337-1000 Ext. 3387
Fax: (610) 992-3258
e-mail: jackalt@ugicorp.com

3. (a) Corporate History. UGI Utilities, Inc. ("UGI" or "Applicant") is a public utility corporation duly organized and existing under the laws of the Commonwealth of Pennsylvania. On December 11, 1967, UGI filed with the Department of State of the Commonwealth of Pennsylvania a Certificate of Acceptance of the Business Corporation Law accepting the provisions thereof.
- (b) Corporate Purpose. Applicant's corporate charter provides that it is incorporated for all lawful purposes.

AIA UGI HVAC G-00051142 - Affiliate Interest Agreement

(c) Territory and Public Service. As is pertinent to this application, UGI (which prior to corporate name changes in 1968 and 1992 was respectively known as The United Gas Improvement Company and UGI Corporation) is the successor by merger to the property, rights, powers, franchises and privileges of several corporations. UGI currently provides natural gas distribution services to approximately 306,000 customers in eastern and central Pennsylvania through approximately 4,500 miles of gas mains, and electric distribution service to approximately 62,000 customers in northeastern Pennsylvania.

4. Applicant proposes to acquire the voting capital stock of a new subsidiary (for purposes of this application, "Newco") that will be incorporated upon the Commission's approval of this application; to transfer the assets of its unregulated HVAC business to Newco; and to allow Newco to continue to occupy small amounts of space in several of Applicant's facilities.
5. Newco will not be a Pennsylvania public utility, and will not operate any assets transferred from UGI as utility facilities.
6. Attached as Exhibit A hereto is UGI's Balance Sheet as of June 30, 2005. There is no balance sheet for Newco and it is not pertinent to this application.
7. Attached as Exhibit B hereto is the Income Statement of UGI for the twelve months ending June 30, 2005. There is no Income Statement of Newco and it is not pertinent to this application.
8. The assets to be transferred (the "Assets") consist primarily of accounts receivable, inventory, fixed assets (primarily tools whose capital value exceeds \$500) and the assets and off-setting liabilities associated with service contracts as more fully described in Exhibit C, List of Contributed Assets.

AIA UGI HVAC G-00051142 - Affiliate Interest Agreement

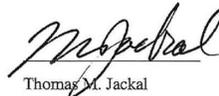
The assets to be transferred are not used or useful in the provision of UGI's regulated distribution services.

9. The FERC accounts holding the Assets, and their original cost, book reserve and net book value as of June 30, 2005, are shown in Exhibit C hereto.
10. Following the issuance of the Certificate of Public Convenience requested herein, and the formation of Newco, UGI will make a capital contribution of the Assets to Newco.
11. No investment securities will be transferred as a result of this transaction.
12. No stockholder approval of the proposed asset transfer is required.
13. Secretary certificates showing approval of the proposed asset transfer by the Board of Directors is attached as Exhibit D hereto.
14. No gas or electric distribution service customers will be transferred as a result of the transfer of the Assets.
15. The proposed asset transfer will have no effect upon the quality of distribution service rendered to UGI's customers or on the rates paid by customers.
16. UGI also requests approval of an affiliated interest arrangement whereby Newco's employees and business will continue to occupy small amounts of space spread throughout several utilities facilities and will reimburse UGI for the allocated costs associated with its use of the space. UGI understands that such approval shall not preclude the Commission, in any future proceeding, from investigating the reasonableness of any charges made pursuant to this affiliated interest arrangement.

AIA UGIHVAC G-00051142 - Affiliate Interest Agreement

WHEREFORE, UGI Utilities, Inc. requests respectfully that the Commission (a) issue a Certificate of Public Convenience authorizing the acquisition by UGI Utilities, Inc. of all of the voting capital stock of a newly formed subsidiary, and the transfer of the assets and associated inventory described in the above application from UGI Utilities, Inc. to the newly formed subsidiary, and (b) authorize the affiliated interest arrangement described in the above application..

Respectfully submitted,



Thomas M. Jackal

Counsel for UGI Utilities, Inc.

Dated: August 22, 2005

AIA UGLHVAC G-00051142 - Affiliate Interest AgreementUGI UTILITIES, INC.
BALANCE SHEET - JUNE 30, 2005Exhibit A
Page 1 of 2

ASSETS AND OTHER DEBITS

<u>UTILITY PLANT</u>		
101	Utility Plant In Service	\$ 958,936,856
105	Utility Plant Held for Future Use	-
107	Construction Work in Progress	13,279,443
108	Accum. Prov. for Depr. of Utility Plant in Service	(321,796,687)
111.3	Accum. Prov. for Amort. of Other Utility Plant in Service	(5,769,346)
114	Utility Plant Acquisition Adj. - Electric	390,002
115	Accum. Prov. for Amort. of Utility Plant Acq. Adj. - Electric	(390,002)
	Total Utility Plant	644,650,266
<u>OTHER PROPERTY AND INVESTMENTS</u>		
121	Non-Utility Property	236,930
122	Accum. Prov. for Depr. and Amort. of Non-Utility Prop.	(5,310)
123	Investment in Subsidiary Companies	-
124	Other Investments	-
125	Special Funds	-
128	Other Special Funds	1,000
	Total Other Property and Investments	232,620
<u>CURRENT AND ACCRUED ASSETS</u>		
131	Cash	(390,573)
134	Other Special Deposits	-
135	Working Funds	20,925
136	Temporary Cash Investments	1,022,808
142	Customer Accounts Receivable	55,690,433
143	Other Accounts Receivable	7,738,512
144	Accum. Prov. for Uncollectible Accounts	(7,222,032)
146	Accounts Receivable from Associated Companies	1,303,542
151	Fuel Stock	-
152	Fuel Stock Undistributed	-
154	Plant Materials and Operating Supplies	1,767,053
155	Merchandise	558,802
158	Allowance Inventory	1,000
163	Stores Expenses Undistributed	130,508
164.1	Gas Stored Underground - Current	36,740,935
164.2	Liquefied Natural Gas Stored	-
165	Prepayments	3,053,657
173	Accrued Utility Revenue	8,502,623
174	Miscellaneous Current & Accrued Assets	679,047
175	Derivative Instrument Assets	-
176	Derivative Instrument Assets - Hedges	3,946,991
	Total Current & Accrued Assets	113,544,231
<u>DEFERRED DEBITS</u>		
181	Unamortized Debt Expense	1,586,863
182.3	Other Regulatory Assets	65,927,455
183	Other Preliminary Survey and Investigation Chg.	59,921
184	Clearing Accounts	37,195
185	Temporary Facilities	-
186	Miscellaneous Deferred Debits	23,393,028
187	Misc. Deferred Debits - Retirement Work in Progress	(11,824)
189	Unamortized Loss on Rescquired Debt	851,136
190	Accumulated Deferred Income Taxes	8,084,106
191	Unrecovered Purchased Fuel Costs	(19,082,311)
	Total Deferred Debits	80,845,569
	TOTAL ASSETS AND OTHER DEBITS	\$ 839,272,686

AIA UGI HVAC G-00051142 - Affiliate Interest AgreementUGI UTILITIES, INC.
BALANCE SHEET - JUNE 30, 2005Exhibit A
Page 2 of 2

LIABILITIES AND OTHER CREDITS

	PROPRIETARY CAPITAL	
201	Common Stock Issued	\$ 60,259,016
204	Preferred Stock Issued	-
207	Premium on Capital Stock	79,773,267
208-211	Comprehensive Income	-
216	Unappropriated Retained Earnings	145,789,788
216.1	Unappropriated Undistributed Subsidiary Earnings	-
219	Accumulated Other Comprehensive Income	(2,140,207)
	Total Proprietary Capital	283,681,864
	LONG-TERM DEBT	
224	Other Long-Term Debt	237,000,000
225	Unamortized Premium on Long Term Debt	60,300
226	Unamortized Discount on Long Term Debt	-
	Total Long-Term Debt	237,060,300
	OTHER NON-CURRENT LIABILITIES	
228	Accumulated Miscellaneous Operating Provisions	4,643,935
	Total Non-Current Liabilities	4,643,935
	CURRENT AND ACCRUED LIABILITIES	
230	Asset Retirement Obligation (SFAS 143)	71,844
231	Notes Payable:	
	Bank Notes	49,500,000
232	Accounts Payable	22,796,604
234	Accounts Payable to Associated Companies	15,615,681
235	Customer Deposits	10,944,570
236	Taxes Accrued	13,068,061
237	Interest Accrued	2,243,237
238	Dividends Declared	-
241	Tax Collections Payable	446,643
242	Miscellaneous Current and Accrued Liabilities	19,180,355
244	Derivative Instrument Liabilities	-
245	Derivative Instrument Liabilities - Hedges	4,310,149
	Total Current and Accrued Liabilities	138,177,144
	DEFERRED CREDITS & OTHER LIABILITIES	
252	Customer Advances for Construction	555,255
253	Other Deferred Credits	10,707,757
254	Other Regulatory Liabilities	-
255	Accumulated Deferred Investment Tax Credits	7,290,444
	Total Deferred Credits	18,553,456
	ACCUMULATED DEFERRED INCOME TAXES	
282	Liberalized Depreciation:	
	Gas	149,216,570
	Electric	12,067,652
283	Fuel Costs - Gas	(4,128,235)
	Total Accumulated Deferred Income Taxes	157,155,987
	TOTAL LIABILITIES AND OTHER CREDITS	\$ 839,272,686

AIA UGI HVAC G-00051142 - Affiliate Interest Agreement

UGI UTILITIES, INC.
STATEMENT OF INCOME
12 MONTHS ENDED JUNE 30, 2005

Exhibit B
Page 1 of 2

	<u>GAS</u>	<u>ELECTRIC</u>	<u>TOTAL</u>
UTILITY OPERATING INCOME			
Operating Revenues:			
Revenue - Sale of Gas	\$ 466,933,663	\$ -	\$ 466,933,663
Revenue - Sale of Electricity	-	88,364,602	88,364,602
All Other Operating Revenues	<u>64,254,921</u>	<u>4,107,046</u>	<u>68,361,967</u>
Total Operating Revenues	531,188,584	92,471,648	623,660,232
Operating Expenses:			
Operation	417,341,385	58,928,060	476,269,445
Maintenance	<u>10,648,568</u>	<u>3,420,160</u>	<u>14,068,728</u>
Total Operation & Maintenance	427,989,953	62,348,220	490,338,173
Depreciation	19,697,877	2,957,273	22,655,150
Amortization	659,416	87,400	746,816
Taxes Other Than Income:			
Penna. Gross Receipts	-	5,039,917	5,039,917
Penna. Capital Stock	1,826,117	189,046	2,015,163
Penna. Public Utility Realty	327,359	168,084	495,443
Other	<u>4,595,881</u>	<u>670,368</u>	<u>5,266,249</u>
Total Taxes Other Than Income	6,749,357	6,067,415	12,816,772
Income Taxes:			
Federal	14,996,291	5,220,122	20,216,413
State	5,091,545	1,859,068	6,950,613
Investment Tax Credit	<u>(318,420)</u>	<u>(79,411)</u>	<u>(397,831)</u>
Deferred Income Taxes:			
Federal	4,215,231	918,487	5,133,718
State	<u>(294,941)</u>	<u>43,465</u>	<u>(251,476)</u>
Total Income Taxes	<u>23,689,706</u>	<u>7,961,731</u>	<u>31,651,437</u>
Total Operating Expenses	<u>478,786,309</u>	<u>79,422,039</u>	<u>558,208,348</u>
Net Operating Income	<u>\$ 52,402,275</u>	<u>\$ 13,049,609</u>	<u>\$ 65,451,884</u>
OTHER INCOME AND DEDUCTIONS			
Other Income and Deductions (Net)			5,623,778
Taxes Applicable to Other Income and Deductions:			
Federal Income			2,152,334
State Income			627,813
Other			-
Total Taxes Applicable to Other Income and Deductions			<u>2,780,147</u>
INTEREST CHARGES			
Interest on Long-Term Debt			15,899,808
Amort. Debt Discount-Premium			321,746
Less Amort. Of Premium on Debt-Credit			(120,600)
Interest on Short-Term Debt			1,288,003
Other Interest Expenses			637,224
Allowance for Borrowed Funds Used			-
During Construction			(12,198)
Total Interest Charges			<u>18,013,983</u>
NET INCOME			<u>\$ 50,281,532</u>

AIA UGI HVAC G-00051142 - Affiliate Interest Agreement

UGI UTILITIES, INC.
STATEMENT OF UNAPPROPRIATED RETAINED EARNINGS
FOR TWELVE MONTHS ENDED JUNE 30, 2005

Exhibit B
Page 2 of 2

Balance June 30, 2004	\$	133,419,256
Net Income		50,281,532
Additions:		-
Deductions:		-
Cash Dividends:		-
Series Preferred Stock		-
Common Stock		<u>(37,911,000)</u>
Balance June 30, 2005	\$	<u>145,789,788</u>

UNAPPROPRIATED UNDISTRIBUTED SUBSIDIARY EARNINGS
(ACCOUNT 216.1)
FOR TWELVE MONTHS ENDED JUNE 30, 2005

Balance June 30, 2004	\$	-
Net Income		-
Add:		-
Deductions:		<u>-</u>
Balance June 30, 2005	\$	<u>-</u>

AIA UGI HVAC G-00051142 - Affiliate Interest Agreement

Exhibit C

UGI HVAC Assets and Liabilities as of June 30, 2005

<u>Assets</u>	6/30/2005 Act GL Bal	FERC Acct.
Cash	\$750,000	131
Accounts Receivable-Merchandise	\$1,021,245	142
Accounts Receivable-Service Agreements	\$827,556	142
Accounts Receivable-AFC First	\$46,558	143
Accounts Receivable-Citi Financial	\$76,257	143
Allowance for Doubtful Accounts	(\$17,925)	144
Appliances Returned to Vendor	\$10,270	143
Misc. Accounts Receivable-Volume Rebates	(\$43,468)	143
Misc. Accounts Receivable-Large Projects	\$175,400	143
Misc. Accounts Receivable-Obsolete Inv.	(\$44,216)	143
Prepaid Yellow Pages	\$66,463	165
Inventory-Equipment	\$472,852	155
Inventory-Parts	\$85,950	155
Fixed Assets - PC's, Laptops, MDT's	\$309,000	391
Fixed Assets-Tools & Equipment	\$189,995	394
Accumulated Depreciation-Fixed Assets	(\$137,265)	108
Accum. Def. Inc. Taxes-Bad Debts	\$7,438	190
Accum. Def. Inc. Taxes-Bonus	\$46,391	190
Accum. Def. Inc. Taxes-Vacation Accrual	\$113,776	190
Total Assets	\$3,956,277	
<u>Liabilities</u>		
Accrued Medical-Utility Plan	\$132,886	242
Accrued Dental-Utility Plan	\$7,321	242
Accrued Medical-Ent Plan	\$33,675	242
Accrued Dental-Ent Plan	\$433	242
Short Term Disability F112	\$95,000	253
Bonus Accrual	\$111,804	242
Accrued Vacation	\$274,201	242
Deferred Revenue	\$1,711,700	253
Accum. Def. Inc. Taxes-Depreciation	\$58,974	282
Total Liabilities	\$2,425,994	
Net Assets	\$1,530,283	

AIA UGIHVAC G-00051142 - Affiliate Interest Agreement

UGI UTILITIES, INC.

SECRETARY'S CERTIFICATE

The undersigned hereby certifies that:

1. She is the duly elected and acting Secretary of UGI Utilities, Inc., a Pennsylvania corporation (the "Company"), and as such is authorized to execute and deliver this Certificate on behalf of the Company.

2. Below is a true and correct copy of resolutions duly adopted by the Board of Directors of the Company at a meeting duly called, convened and held on July 26, 2005, at which a quorum was present and acting throughout:

RESOLVED, the contribution of approximately \$3.4 million of the Company's heating, ventilation and air conditioning business assets, to a new subsidiary corporation that will be formed upon the receipt of approval of the transfer by the Pennsylvania Public Utility Commission, is approved.

RESOLVED, any officer of the Company is authorized to sign and deliver such agreements, certificates, consents, corporate papers and other documents, make such payments, and take all other action that such officer and counsel for the Company may deem necessary or desirable to carry out the intent and purposes of the foregoing resolution.

3. These resolutions have not been amended, modified or rescinded and remain in full force and effect on the date of this certificate.

Dated: August 15, 2005

[Corporate Seal]


Margaret M. Calabrese

Sec-cert(Uti050815-hvac asset contribution

UGI HVAC Services, Inc. and UGI HVAC Enterprises, Inc. Affiliated Interest Agreement G-00071217



COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
P.O. BOX 3265, HARRISBURG, PA 17105-3265

IN REPLY
PLEASE REFER
TO OUR FILE

February 20, 2007

G-00071217

UGI CORP
460 NORTH GULPH ROAD
KING OF PRUSSIA PA 19406

ATTN MARK C MORROW, Senior Counsel

Re: Affiliated Interest Agreement of UGI Utilities, Inc. and UGI Penn Natural Gas, Inc.
with UGI HVAC Services, Inc.

Dear Mr. Morrow:

On January 22, 2007, UGI Utilities, Inc. (UGI Utility Companies) and UGI Penn Natural Gas, Inc. filed an Affiliated Interest Agreement with HVAC, Inc. (UGI HVAC Companies). This agreement was filed in accordance with the requirements of Section 2102 (a) and (b) of the Public Utility Code, 66 Pa. C.S. §2102 (a) and (b). On January 25, 2007, the Commission extended the period for consideration of this agreement until further order of the Commission. On January 30, 2007, PUC FUS Energy staff submitted data requests to the Company.

The filing relates to the parties engaging in natural gas transactions with each other not otherwise exempted from affiliated interest approval requirements by the provisions of Section 2107 of the Public Utility Code. Such transactions might include the procuring of Natural Gas Operations Services and/or HVAC Services. To the extent permitted under FERC rules, such transactions shall be at market rates and consistent with the least cost purchase obligations of UGI Utility Companies, UGI Penn Natural Gas, Inc., and UGI HVAC Companies. Moreover, such transactions will be subject to review in annual Section 1307 (f) gas cost review proceedings where the specific findings pertaining to affiliate transactions specified in Section 1318 (b) of the Public Utility Code will have to be made. However, UGI Utilities, Inc. and UGI Penn Natural Gas, Inc. have stated that they will not receive service under the agreement until it is approved by the Commission.

In response to staff data requests, the Company clarified its filing regarding Operator Qualification. Upon review of this response, the Commission has determined that the UGI HVAC affiliate will not be permitted to commence work during Emergency incidents or

UGI HVAC Services, Inc. and UGI HVAC Enterprises, Inc. Affiliated Interest Agreement G-00071217

begin to remove, install, or work on any meter work until the HVAC workers are properly qualified under UGI's Operator Qualification program for these tasks or other tasks in which the affiliate HVAC Companies will perform. In addition, the affiliate UGI HVAC Companies will ensure that their Operator Qualification certification is kept up to date.

UGI HVAC affiliate will not be permitted to commence work during Emergency Incidents or begin to remove, install, or work on any meter work until the HVAC workers are properly qualified under UGI, Inc.'s Operator Qualification program for these tasks or other tasks in which the HVAC affiliate will perform. In addition, the HVAC affiliate will ensure that their Operator Qualification certification is kept up to date.

Upon review of the Company's filing and in view of the condition set forth above regarding Operator Qualification, it does not appear that this filing is unreasonable or contrary to the public interest. Therefore, this filing is hereby approved as conditioned. However, approval of this filing does not constitute a determination that such filing is consistent with the public interest and that the associated costs or expenses are reasonable or prudent for the purposes of determining just and reasonable rates. Furthermore, the Commission's approval is contingent upon the possibility that subsequent audits, reviews, and inquiry, in any Commission proceeding, may be conducted, pursuant to 66 Pa. C.S. §§ 2102, *et seq.*

In addition, this approval will apply only to the agreement(s), service(s), matters, and parties specifically and clearly defined under this instant filing, as well as under any associated and previously filed filings.

Sincerely,

James J. McNulty
Secretary

cc: Kathleen Aunkst, Secretary's Bureau
Elaine McDonald, FUS
Paul Diskin, FUS Energy Manager
John Matchik, FUS Energy FUVE
Paul Metro, Bureau of Transportation & Safety – Gas Safety Div.

UGI HVAC Services, Inc. and UGI HVAC Enterprises, Inc. Affiliated Interest Agreement G-00071217



January 22, 2007

VIA EXPRESS MAIL

James J. McNulty, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120

Re: **Affiliated Interest Agreement of UGI Utilities,
Inc. and UGI Penn Natural Gas, Inc.,
Docket No. G-00071217**

Dear Secretary McNulty:

Pursuant to Section 2102 of the Public Utility Code (and in particular subsections 2102 (a) and (b)), I submit for the Commission's approval an original and three copies of a proposed arrangement between UGI Utilities, Inc. and UGI Penn Natural Gas, Inc. (collectively the "UGI Utility Companies") on the one hand, and UGI HVAC Enterprises, Inc., Denny's Electric Service, Inc. and UGI HVAC Services, Inc. (collectively "UGI HVAC Companies") on the other hand, pursuant to which UGI Utility Companies may procure certain (1) natural gas distribution facility installation, maintenance, testing and repair services and associated equipment (hereafter "Natural Gas Operations Services") and (2) heating, air conditioning, ventilating ("HVAC"), plumbing, electric contracting and/or related services and associated equipment (hereinafter "HVAC Services") from the UGI HVAC Companies at market prices.

UGI Utilities, Inc. is a certificated natural gas distribution company serving approximately 315,000 natural gas customers in an authorized service territory spanning fifteen counties in central and southeastern Pennsylvania, and a certificated electric distribution company serving approximately 62,000 customers in two northeastern Pennsylvania counties.

UGI Penn Natural Gas, Inc. is a certificated natural gas distribution company serving approximately 160,000 customers in an authorized service territory spanning portions of fourteen counties in central and northeastern Pennsylvania. UGI Penn Natural Gas, Inc. is a wholly owned subsidiary of UGI Utilities, Inc., and a second tier subsidiary of UGI Corporation.

UGI HVAC Enterprises, Inc. and Denny's Electric Service, Inc. are wholly owned subsidiaries of UGI Enterprises, Inc., and provide a variety of HVAC, plumbing and electric contracting services to the public in the mid-atlantic region. UGI Enterprises, Inc., in turn, is a wholly owned subsidiary of UGI Corporation.

UGI Utilities, Inc.
460 North Gulph Road
King of Prussia, PA 19106
Post Office Box 858
Valley Forge, PA 19402-0858
(610) 337-1000 Telephone
(610) 992-3258 Fax

UGI HVAC Services, Inc. and UGI HVAC Enterprises, Inc. Affiliated Interest Agreement G-00071217

UGI HVAC Services, Inc.¹ is a second tier subsidiary of UGI Utilities, Inc. and provides a variety of HVAC and related services in central and eastern Pennsylvania.

An organization chart showing the corporate relationship between the UGI Utility Companies and the affiliated UGI HVAC Companies is attached as Exhibit A.

Services To Be Obtained

The UGI Utility Companies own and operate a variety of natural gas distribution facilities and may, on occasion, engage outside contractors to perform Natural Gas Operations Services. UGI HVAC Companies, in turn, may be willing and able to perform such Natural Gas Operations Services.

The UGI Utility Companies also own or operate a number of buildings throughout their service territories that, on occasion, may require HVAC Services. The UGI Utility Companies may also, on occasion, need to procure HVAC Services in connection with third-party facilities when, for example, they perform weatherization services for customers or need to repair damages caused by their operations.

The UGI Utility Companies propose to acquire Natural Gas Operations Services and HVAC Services from the UGI HVAC Companies at prevailing market prices that will be determined, except under certain limited circumstances described hereafter, through a competitive bidding process. When a bidding process is utilized the UGI Utility Companies shall broadly circulate a written request for proposal specifically describing the work to be performed and the qualifications and equipment needed by the contractor, and shall provide a fair and reasonable amount of time, appropriate to the type of project involved, for the preparation and submission of bids (usually not less than two weeks). This process will, of course, also be consistent with all legal and regulatory procurement requirements, including the solicitation of bids from female and minority contractors.

There may be two limited instances, however, where a meaningful bidding process cannot be conducted or where bidding is not otherwise appropriate. First, a bidding process would not be used where emergency conditions do not provide sufficient time to solicit bids or consult a pre-qualified contractor list, and it would be unwise to delay emergency services by imposing unnecessary procedures. The UGI Utility Companies want the option to use the affiliated UGI HVAC Companies without a bidding process in such circumstances when these entities are available and qualified to provide emergency services on an expedited basis.

¹ In *Affiliated Interest Filings of UGI Penn Natural Gas, Inc.*, Docket Nos. G-00061179, G-00061180, G-00061181 and G-00061182 (Order Entered September 15, 2006), the Commission approved certain UGI Penn Natural Gas, Inc. affiliated interest agreements conditioned, amongst other things, on UGI Utilities, Inc. providing "an interim solution within 30 days regarding a preferred manner to restrict HVAC personnel to HVAC customer information only and not the universe of customer information." *Ordering Paragraph 1.* Such a solution was filed with the Commission on October 13, 2007, and is attached as Exhibit B hereto.

UGI HVAC Services, Inc. and UGI HVAC Enterprises, Inc. Affiliated Interest Agreement G-00071217

Second, UGI Utilities, Inc. is currently conducting a tin meter replacement program as part of its automated meter reading ("AMR") conversion project. In an informal agreement with the Gas Safety Division of the Commission's Bureau of Transportation and Safety, UGI Utilities, Inc. has agreed, in response to certain safety concerns, not to use outside contractors when performing such meter replacements. If the Gas Safety Division were to agree that the UGI HVAC Companies, because of their uniquely qualified and experienced employees, could be exempted from the current agreement not to use outside contractors as part of the AMR conversion project, a bidding process would also not be meaningful.

The UGI Utility Companies believe that the two potential exceptions outlined above to the general use of a bidding process will be rare, and the two exceptions would only apply until the particular incident or project involved was completed. If one of these two exceptions were to apply, and a UGI HVAC Company were selected to perform work without a bidding process, the UGI Utility Companies would pay for the Natural Gas Operation Services and HVAC Services performed at the prices charged by the UGI HVAC Companies for comparable work performed for unaffiliated entities.

Having the UGI HVAC Companies available as additional potential suppliers increases the options of the UGI Utility Companies, and may help the UGI Utility Companies obtain Natural Gas Operations Services and HVAC Services at better terms. Enabling the UGI HVAC Companies to potentially provide Natural Gas Operations Services and HVAC Services to UGI Utility Companies may also expand the opportunities for both the UGI Utility Companies and UGI HVAC Companies to more effectively and efficiently use their respective assets and employees.

The UGI Utility Companies recognize that approval of this affiliated interest filing would not represent this Commission's approval of the prudence of any particular purchase of services from UGI HVAC Companies, nor would it represent approval of the

UGI HVAC Services, Inc. and UGI HVAC Enterprises, Inc. Affiliated Interest Agreement G-00071217

prices paid for services provided under this affiliated interest arrangement.

Should you have any questions concerning this filing, please feel free to contact me.

Very truly yours,



Mark C. Morrow
(Attorney No. 33590)

Counsel for UGI Utilities, Inc. and
UGI Penn Natural Gas, Inc.

Dated: January 22, 2007

UGI HVAC Services, Inc. and UGI HVAC Enterprises, Inc. Affiliated Interest Agreement G-00071217

VERIFICATION

David W. Trego, deposes and says that he President of UGI Utilities, Inc. and UGI Penn Natural Gas, Inc.; that he is duly authorized to and does make this verification on their behalf; that the facts set forth in the foregoing affiliated interest filing are true and correct to the best of his knowledge information and belief, and that this Affidavit is made subject to the penalties of 18 Pa.C.S. §4904 (relating to unsworn falsification to authorities).

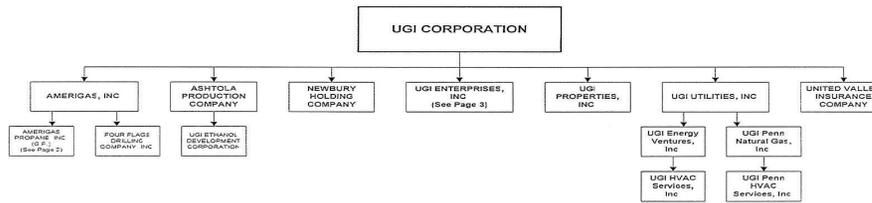


David W. Trego

UGI HVAC Services, Inc. and UGI HVAC Enterprises, Inc. Affiliated Interest Agreement G-00071217

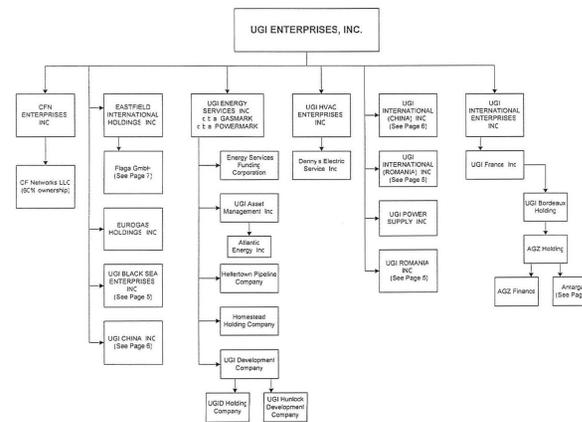
EXHIBIT A

UGI HVAC Services, Inc. and UGI HVAC Enterprises, Inc. Affiliated Interest Agreement G-00071217



9/30/06

UGI HVAC Services, Inc. and UGI HVAC Enterprises, Inc. Affiliated Interest Agreement G-00071217



UGLHVAC Services, Inc. and UGLHVAC Enterprises, Inc. Affiliated Interest Agreement G-00071217

EXHIBIT B

UGI HVAC Services, Inc. and UGI HVAC Enterprises, Inc. Affiliated Interest Agreement G-00071217



UGI Utilities, Inc.
460 North Gulph Road
King of Prussia, PA 19406
Post Office Box 858
Valley Forge, PA 15482-0858
(610) 337-1000 Telephone
(610) 992-3258 Fax

October 13, 2006

via Federal Express

James J. McNulty, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120

Re: Affiliated Interest Filings of UGI Penn Natural Gas, Inc., Docket Numbers G-00061179, G-00061180, G-00061181 and G-00061182: Compliance Filing

Dear Secretary McNulty:

By order dated September 15, 2006, the Commission approved the above-referenced Affiliated Interest Agreements between UGI Penn Natural Gas Inc. and UGI Corporation and its subsidiaries to provide administrative services, pipeline engineering, construction, maintenance, insurance coverage and natural gas purchases and sales. The Commission conditioned its approval, among other things, on the following:

UGI is directed to provide an interim solution to the Commission within 30 days regarding a preferred manner to restrict HVAC personnel to HVAC customer information only and not the universe of customer information. *Ordering Paragraph 1.*

In compliance with the Commission's order UGI provides the following response:

1. Effective immediately, HVAC management has instructed all UGI Utilities' HVAC employees not to access information related to non-HVAC customers. (Management believes that HVAC employees currently do not access this information because it has no particular value to the HVAC business, but it has issued this affirmative instruction to reinforce this behavior and to avoid any misunderstandings.) Specifically, HVAC employees have been instructed to disregard Utilities' credit codes in making credit decisions. Credit checks will be obtained through a third party credit reporting service.
2. On or before January 26, 2007, the company will physically restrict access of HVAC personnel to HVAC customer information and not the universe of customer information, with only the following two exceptions.

UGI HVAC Services, Inc. and UGI HVAC Enterprises, Inc. Affiliated Interest Agreement G-00071217

Pennsylvania Public Utility Commission
Page 2
October 15, 2006

- a. HVAC employees will have access to a computer memo screen, where call center employees type free-form messages concerning customers, e.g., time of day when a customer may be home for service. HVAC employees will access this screen only when it contains information related to HVAC services, but for some customers the screen may also show messages relating to regulated utility service.
- b. A six-person HVAC accounting group will continue to have access to the entire customer accounting system because it contains key information and integrated functions necessary for making adjustments to HVAC customers' bills. By definition, these employees will only work on billing issues related to HVAC products and services and will not be in a position to use general UGI Utilities customer information. These exceptions are necessary because the functions cannot be segregated from the fully integrated customer accounting system without creating an entirely separate system (which UGI HVAC will do within two years, as required by the Commission's order).

HVAC employees who have access to non-HVAC information under these exceptions will continue to be guided by the prohibitions identified in Paragraph 1, above. Apart from these two exceptions, after January 26, 2007 HVAC Employees will have no access to non-HVAC customer information.

3. These interim solutions will be in effect until UGI transitions the HVAC information and billing services to a separate independent billing system on or before September 15, 2008.
4. The company will comply with the Commission's order in all other respects.

Should you have any questions concerning this filing, please feel free to contact me.

Respectfully submitted,



Thomas M. Jackal
Vice President - Law
UGI Utilities, Inc.

cc. J.Barney
V. Ebner
R. Pistor
L. Godlasky

UGI HVAC Enterprises, Inc, Affiliated Interest Agreement for Transfer of Utility Work Vehicles



COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
P.O. BOX 3265, HARRISBURG, PA 17105-3265

G-2015-2496916

September 29, 2015

IN REPLY PLEASE
REFER TO OUR FILE

Docket No. G-2015-2496916
Utility Code: 123100
Docket No. G-2015-2497192
Utility Code: 111100
Docket No. G-2015-2497197
Utility Code: 125146
Docket No. G-2015-2497203
Utility Code: 125127

MARK C MORROW
UGI UTILITIES INC
460 NORTH GULPH ROAD
KING OF PRUSSIA PA 19406

Re: Affiliated Interest Agreement of UGI Utilities, Inc. – Gas Division, UGI Utilities, Inc. – Electric Division, UGI Penn Natural Gas, Inc. and UGI Central Penn Gas, Inc. with UGI HVAC Enterprises, Inc.

Dear Mr. Morrow:

On August 7, 2015, UGI Utilities, Inc. – Gas Division (UGI-GD), UGI Utilities, Inc. – Electric Division (UGI-ED), UGI Penn Natural Gas, Inc. (PNG) and UGI Central Penn Gas, Inc. (CPG), (collectively the UGI Distribution Companies), filed with the Pennsylvania Public Utility Commission (Commission), pursuant to 66 Pa. C.S. §§ 2102, *et seq.*, the above-referenced Affiliated Interest Agreement (Agreement). By Secretarial letter dated September 17, 2015, the Commission extended the statutory consideration period for this Agreement until further action of the Commission. On September 28, 2015, the UGI Distribution Companies filed the executed Agreement for the Release of Interest of Vehicles, to be effective upon Commission approval.

The UGI Distribution Companies filed the proposed Agreement between the UGI Distribution Companies and UGI HVAC Enterprises, Inc. (UGI-HVAC) to acquire ten work vehicles from UGI-HVAC.

UGI HVAC, through restructuring of its operations, has an excess of work vehicles whereas the UGI Distribution Companies have a need for work vehicles. The estimated Kelley Blue Book dealer trade-in value of the vehicles is estimated at \$184,702. The UGI Distribution Companies assert that this affiliated interest agreement will enable the UGI Distribution Companies to acquire work vehicles necessary for their operations at a very favorable price. The UGI Distribution Companies will acquire the excess UGI HVAC vehicles subject to final inspection.

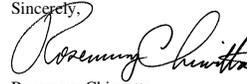
Upon review of the filing, it does not appear that this Agreement is unreasonable or contrary to the public interest. Therefore, this filing is hereby approved. However, approval of this filing does not constitute a determination that the associated costs or expenses are reasonable or prudent for the purposes of determining just and reasonable rates. Furthermore, the Commission's approval is contingent

UGI HVAC Enterprises, Inc, Affiliated Interest Agreement for Transfer of Utility Work Vehicles
G-2015-2496916

upon the possibility that subsequent audits, reviews and inquiries in any Commission proceeding may be conducted, pursuant to 66 Pa. C.S. §§ 2102, *et seq.*

In addition, this approval will apply only to the agreement, services, matters and parties specifically and clearly defined under this instant proceeding as well as under any associated and previously filed filings.

Sincerely,



Rosemary Chiavetta
Secretary

cc: Yasmin Snowberger, TUS
Lee Yalcin, TUS

AIA UGIU Insurance G-00930344



COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
P.O. BOX 3265, HARRISBURG, PA 17105-3265

June 10, 1993

IN REPLY PLEASE
REFER TO OUR FILE

G-00930344

THOMAS M JACKAL ESQUIRE
UGI UTILITIES INC
460 NORTH GULPH ROAD
PO BOX 858
VALLEY FORGE PA 19483-0858

T.M.J. JUN 14 1993

Affiliated Interest Agreement between
UGI Utilities, Inc. and an as yet unformed
Affiliated Insurance Company, whose primary
purpose will be to provide insurance coverage
to all UGI Utilities

To Whom It May Concern:

This is to advise you that an Opinion and Order has been
adopted by the Commission in Public Meeting on June 10, 1993 in
the above entitled proceeding.

An Opinion and Order has been enclosed for your records.

Very truly yours,

John G. Alford, Secretary

smk
Encls.
Cert.Mail

AIA UGIU Insurance G-00930344

PENNSYLVANIA
PUBLIC UTILITY COMMISSION
Harrisburg, PA. 17105-3265

Public Meeting held June 10, 1993

Commissioners Present:

David W. Rolka, Chairman
Joseph Rhodes, Jr., Vice Chairman
John M. Quain
John Hanger

Affiliated Interest Agreement between UGI
Utilities, Inc. and an as yet unformed
Affiliated Insurance Company, whose
primary purpose will be to provide
insurance coverage to all UGI Utilities

G-00930344

OPINION AND ORDER

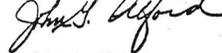
BY THE COMMISSION:

On May 17, 1993, UGI Utilities, Inc. filed a verified summary of an Agreement with an as yet unformed Affiliated Insurance Company, whose primary purpose will be to provide insurance coverage to all UGI Utilities. Upon review of the Agreement, staff found need for further information.

Section 2102 (b) of the Public Utility Code, 66 Pa. C.S. § 2102 (b), provides that the agreement shall be deemed approved if a written order is not entered at the end of thirty days after the filing of the agreement, unless the Commission extends the thirty day period. In order to adequately review the agreement, it is necessary that we extend the consideration period for an additional sixty days, or to August 15, 1993; **THEREFORE,**

IT IS ORDERED: That the period for consideration of the Affiliated Interest Agreement filed by UGI Utilities, Inc. on May 17, 1993, to become effective June 16, 1993, is hereby extended for an additional sixty days, or to August 15, 1993.

BY THE COMMISSION,



John G. Alford
Secretary

(SEAL)

ORDER ADOPTED: June 10, 1993

ORDER ENTERED: June 10, 1993

AIA UGIU Insurance G-00930344



UGI Utilities, Inc.
482 North Union Road
King of Prussia, PA 19406
Post Office Box 856
Valley Forge, PA 19482-0856
(215) 337-1000 Telephone
(215) 992-3256 Fax

May 17, 1993

OVERNIGHT MAIL

The Honorable John G. Alford, Secretary
Pennsylvania Public Utility Commission
North Office Bldg., Room B-18
Commonwealth and North Streets
Harrisburg, PA 17105-3265

Re: Insurance Arrangement between UGI Utilities, Inc. and
an Affiliated Insurer

Dear Secretary Alford:

Pursuant to Section 2102 of the Public Utility Code (the "Code"), 66 Pa. C.S. §2102, I submit for the Commission's approval the original and two (2) copies of this letter as a verified summary of an arrangement between UGI Utilities, Inc. ("UGI Utilities") and an as yet unformed affiliated insurance company. UGI Utilities, a wholly owned subsidiary of UGI Corporation, is a public utility as defined in Section 102 of the Code, 66 Pa. C.S. §102, and as such is subject to the Commission's jurisdiction. UGI Corporation expects to form and own a corporation ("Affiliated Insurer") whose primary purpose will be to provide insurance coverage to UGI Corporation, its affiliates and subsidiaries, including UGI Utilities. As a subsidiary of a common corporate parent, Affiliated Insurer will be an affiliated interest of UGI Utilities as defined in Section 2101(a)(3) of the Code, 66 Pa. C.S. §2101(a)(3). Section 2102 of the Code provides that no contract or arrangement between a public utility and an affiliated interest shall be valid or effective until it receives written approval of the Commission, and that a public utility may seek such approval by filing a verified copy or verified summary of the contract or arrangement. Accordingly, UGI Utilities requests approval of an unwritten arrangement whereby Affiliated Insurer may provide insurance coverage to UGI Utilities.

UGI Utilities currently receives insurance management services from its parent corporation, UGI Corporation, pursuant to the provisions of an administrative services agreement approved by the Commission on May 21, 1992, Docket No. G-00920296. As part of these services the Director of Insurance of UGI Corporation analyzes the insurance needs of UGI Utilities and obtains appropriate insurance coverage through policies negotiated annually with independent insurance companies. Currently UGI Utilities is self-insured for claims up to \$500,000. For automobile, general liability and worker's compensation claims between \$500,000 and \$25,000,000, UGI Utilities has policies of insurance with Associated Electric & Gas Services Limited ("AEGIS"). UGI Utilities also has coverage through independent insurance companies for claims in excess of \$25,000,000. Under the proposed arrangement, UGI Corporation will continue to manage UGI Utilities' insurance program, but insurance coverage may be provided by Affiliated Insurer.

AIA UGIU Insurance G-00930344

The Honorable John G. Alford, Secretary
May 17, 1993
Page 2

UGI Corporation intends to incorporate Affiliated Insurer under the laws of the State of Vermont. Although Affiliated Insurer will be incorporated for all lawful purposes, its principal business is intended to be the provision of insurance coverage to UGI Corporation, its affiliates and subsidiaries. In its capacity as an insurance company, Affiliated Insurer will meet all capitalization and security requirements of Vermont law and will be subject to regulation by the Vermont Department of Banking, Insurance and Securities.

Subject to Commission approval, Affiliated Insurer would annually make available to UGI Utilities insurance coverage that may replace or supplement coverage now provided by independent insurance companies. To the extent possible Affiliated Insurer would write coverage on policy forms identical to the ones in effect between UGI Utilities and its independent insurance companies. UGI Utilities would then have the opportunity to choose between coverage offered by independent insurance companies and that offered by Affiliated Insurer. UGI Utilities would not be compelled to place insurance with Affiliated Insurer nor would it be compelled to renew coverage at the end of any policy year.

The following procedure will be used to assure that placing insurance with Affiliated Insurer will be in the best interests of UGI Utilities and its ratepayers. Each year, prior to the insurance renewal date of July 1, the Director of Insurance will define the level and scope of insurance coverage that can be offered by Affiliated Insurer. The Director of Insurance will then obtain quotes from independent insurance companies for this level of coverage. If the coverage can be provided by Affiliated Insurer at rates that are equal to or below the market rates, UGI Utilities would obtain policies of insurance from Affiliated Insurer. If independent insurance companies offer better rates or better coverage, UGI Utilities would choose policies from those companies. UGI Utilities will not be required to place its insurance with Affiliated Insurer but may choose independent insurance companies when costs or coverage are more advantageous.

By way of example, under the proposed arrangement UGI Utilities may choose to continue a \$500,000 self-insured retention level, cover the risk of loss between \$500,000 and \$1,000,000 through Affiliated Insurer and continue excess insurance with AEGIS (or another carrier) for losses in excess of \$1,000,000. In deciding whether to adopt this coverage UGI Utilities would obtain premium quotes from independent insurers both for coverage in excess of \$500,000 (current coverage) and for coverage in excess of \$1,000,000. The difference between these premiums would establish the maximum UGI Utilities would be required to pay Affiliated Insurer for coverage between \$500,000 and \$1,000,000 in claims. Put another way, if the sum of the premium for Affiliated Insurer's coverage plus the premium for coverage in excess of \$1,000,000 is greater than the single premium for independent coverage in excess of \$500,000, UGI Utilities would continue to cover losses in excess of \$500,000 through independent insurers and would not place insurance with Affiliated Insurers.

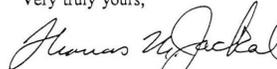
AIA UGIU Insurance G-00930344

The Honorable John G. Alford, Secretary
May 17, 1993
Page 3

Placing insurance with an affiliated insurance company presents several advantages to UGI Utilities and its ratepayers. The first is decreased cost by improving UGI Utilities' access to insurance and reinsurance markets. For example, reinsurance (by which one insurance company assumes all or a part of the liability of an insurance company already covering the risk) is less costly than regular insurance and can only be purchased by a bona fide insurance company. This should enable Affiliated Insurer to offer lower than market rates to UGI Utilities. Doing business with an affiliate stabilizes insurance expenses by insulating UGI Utilities from insurance market cycles unrelated to the loss experience of UGI Utilities and its affiliates. Even if Affiliated Insurer's premiums rise on the basis of this loss experience, UGI Utilities' ratepayers will not be harmed because UGI Utilities retains the option of choosing market rates if they are lower. An affiliated insurance company may also provide potentially broader coverage, as the policies may be tailor-made to fit the particular needs of UGI Utilities. Coverage that may otherwise be unavailable or prohibitively expensive in the marketplace may be provided in a cost-effective way by an affiliate. Thus, placing insurance with an affiliate will reduce UGI Utilities' overall cost of insurance and may enable UGI Utilities to protect against losses that would otherwise be uninsurable.

I have enclosed an extra copy of this letter and ask that it be stamped as received by your office and returned to me in the enclosed self-addressed stamped envelope. If any additional information is required, please call.

Very truly yours,



Thomas M. Jackal
Group Counsel - Utilities

TMJ/klb

Enclosures

cc: Robert Bennett (w/encl.)
Office of Special Assistants

TMPL-ALFORD.06

AIA UGIU Insurance G-00930344

The Honorable John G. Alford, Secretary
May 17, 1993
Page 4

bcc: (w/encl.)
J. C. Barney
T. J. Bonner
R. L. Bunn
M. M. Calabrese
M. J. Cuzzolina
J. A. Doan
W. M. Graff
L. R. Greenberg
S. R. Mauriello
G. W. Westerman

AIA UGIU Insurance G-00930344

COMMONWEALTH OF PENNSYLVANIA :
COUNTY OF ~~BERKS~~ Montgomery : SS

AFFIDAVIT

JOHN C. BARNEY, being duly sworn according to law deposes and says that he is Vice President - Finance and Accounting of UGI Utilities, Inc., a Pennsylvania corporation, that he is authorized to and does make this affidavit for it; that the arrangement summarized in the foregoing letter dated May 17, 1993, accurately reflects the proposed arrangement between UGI Utilities, Inc. and an affiliated insurance company for the purpose of providing insurance coverage to UGI Utilities, Inc.


John C. Barney

Sworn to and subscribed
before me this 17th day
of May, 1993.


Notary Public

Notarial Seal
Rachel M. Reed, Notary Public
Upper Merion Twp., Montgomery County
My Commission Expires Nov. 18, 1996
Member, Pennsylvania Association of Notaries

UGI Sunbury, LLC Affiliated Interest Agreement G-2015-2467129



COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
P.O. BOX 3265, HARRISBURG, PA 17105-3265

June 10, 2015

IN REPLY PLEASE
REFER TO OUR FILE

G-2015-2467129
Utility Code: 125146

DEVIN RYAN
POST & SCHELL
17 NORTH SECOND STREET 12TH FLOOR
HARRISBURG PA 17101-1601

Re: Affiliated Interest Agreements – UGI Penn Natural Gas, Inc. and UGI Utilities,
Inc. with UGI Sunbury, LLC and UGI Energy Services, LLC

Dear Mr. Ryan:

On February 11, 2015, UGI Penn Natural Gas, Inc. (PNG), Utility Code 125146, and UGI Utilities, Inc. (UGI), Utility Code 123100, filed with the Pennsylvania Public Utility Commission (Commission), pursuant to 66 Pa. C.S. §§ 2102, *et seq.*, the above-referenced Affiliated Interest Agreements. By Secretarial letter dated February 25, 2015, the Commission extended the statutory consideration period for these Agreements until further action of the Commission.

UGI Sunbury, LLC (UGI Sunbury) is proposing to construct and operate the Sunbury Pipeline to provide long-term transportation service to a proposed natural gas-fired generation facility owned and operated by Hummel Station LLC (Hummel). UGI Sunbury is an affiliated interest of PNG and UGI. The Sunbury Pipeline will be constructed by UGI Sunbury and is proposed to be regulated as an interstate pipeline by the Federal Energy Regulatory Commission (FERC).

UGI and PNG filed the following Agreements:

1. An agreement between UGI Sunbury and Hummel (UGI Sunbury and Hummel Agreement), if UGI Sunbury obtains FERC approval for the Sunbury Pipeline,
2. An agreement between PNG and Hummel (PNG and Hummel Agreement) if UGI Sunbury does not obtain FERC approval for the Sunbury Pipeline by May 1, 2016. The PNG Precedent Agreement also includes a Parental Guarantee by UGI to its subsidiary PNG,
3. An Asset Purchase Agreement, an Assignment and Assumption Agreement and a Bill of Sale by and between PNG and UGI Sunbury (collectively the Asset Purchase Agreements) if PNG must take ownership of the Sunbury Pipeline, and
4. A Project Management Agreement by and between PNG and UGI Energy Services, LLC (UGIES) (Project Management Agreement) for construction

Page 1 of 3

UGI Sunbury, LLC Affiliated Interest Agreement G-2015-2467129

management in the event PNG becomes the owner and builder of the Sunbury Pipeline.

PNG requested Commission approval of the Asset Purchase Agreements (Item 3 above) and the Project Management Agreement (Item 4 above) since PNG, UGI Sunbury, and UGIES are affiliated interests.

In the event that UGI Sunbury does not receive FERC approval for the pipeline, or FERC approval is delayed beyond May 1, 2016, UGI Sunbury will transfer ownership and responsibility to build the pipeline to PNG. To facilitate PNG's timely construction of the pipeline, PNG and UGIES have entered into an agreement for UGIES to provide project management services to PNG. UGIES is an affiliated interest of PNG and UGI. Upon completion of the pipeline by PNG, PNG will then provide natural gas distribution service through the Sunbury Pipeline to the Hummel plant in accordance with a service agreement to be entered into in accordance with PNG's Commission-approved tariff.

Also in the event that UGI Sunbury does not receive FERC approval for the pipeline, or FERC approval is delayed beyond May 1, 2016, PNG will construct, own, operate, and maintain the Sunbury Pipeline as a natural gas distribution company facility. PNG will provide transportation service to the Hummel plant pursuant to the terms and conditions of a Services Agreement and consistent with PNG's Gas Tariff No. 8. This agreement also includes a Parental Guarantee by UGI to PNG that is considered an affiliated interest agreement and will need Commission Approval.

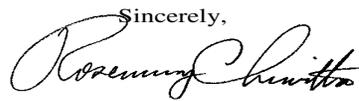
Upon review of the filing, it does not appear that these Agreements are unreasonable or contrary to the public interest. However, approval of this filing does not constitute a determination that the associated costs or expenses are reasonable or prudent for the purposes of determining just and reasonable rates. Furthermore, the Commission's approval is contingent upon the possibility that subsequent audits, reviews and inquiries in any Commission proceeding may be conducted, pursuant to 66 Pa. C.S. §§ 2102, *et seq.*

Additionally, in the event that FERC approval is not obtained, and ownership of the Sunbury Pipeline transfers to PNG, PNG is directed to file its executed contracts to the Commission within 30 days of executing the Agreements.

PNG asserts in its filing, that since the tangible and intangible property to be acquired by PNG from UGI Sunbury, if transferred, will be new property that will be consumed in the construction and operation of the Sunbury Pipeline, the transfer of such property does not require approval under Section 1102(a)(3) of the Public Utility Code. PNG originally requested Commission approval for the proposed assignment of the tangible and intangible property related to the Sunbury Pipeline, but is now requesting approval of the AIAs only. We make no determination regarding the transfer of property and are not providing any assurances of ratemaking recovery, at this time.

UGI Sunbury, LLC Affiliated Interest Agreement G-2015-2467129

This approval will apply only to the agreement, services, matters and parties specifically and clearly defined under this instant proceeding as well as under any associated and previously filed filings.

Sincerely,


Rosemary Chiavetta
Secretary

cc: Yasmin Snowberger
Debra Backer