File No. 54-201
Amendment No. 2

Record 278264 [illegible]

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C.

Amendment No. 2 to Application for an Order of The Securities and Exchange Commission for Approval of a Comprehensive Plan of The United Gas Improvement Company, Pursuant to Section 11(e) and Other Sections of The Public Utility Holding Company Act of 1935

THE UNITED GAS IMPROVEMENT COMPANY
(Name of company filing amendment)

Name, title, and address of officer to whom notices and correspondence concerning this amendment should be addressed: W. E. Long, President, 1401 Arch Street, Philadelphia 5, Pa. and Kenneth B. Anderson, Esq., 1401 Arch Street, Philadelphia 5, Pa.

The undersigned hereby amends the above document with respect to the following (identify item, statement, schedule, or exhibit of document to which amendment relates):

See list attached

SIGNATURE

The company has caused this amendment to be duly signed on its behalf by its authorized officer in the city of Philadelphia and State of Pennsylvania, on the 11th day of July, 1952.

(SEAL)

THE UNITED GAS IMPROVEMENT COMPANY
(Name of Company)

Attest:

By /s/ W. E. Long President

/s/ J. H. Mackenzie
(Signature of Officer)

W. E. Long
(Type or print name)

Assistant Secretary
(Title)

VERIFICATION

State of Pennsylvania)
) ss:
County of Philadelphia)

The undersigned being duly sworn deposes and says that he has duly executed the attached amendment dated July 11, 1952, for and on behalf of The United Gas Improvement Company; that he is President of such company; and that all action by stockholders, directors, and other bodies necessary to authorize deponent to execute and file such instrument has been taken. Deponent further says that he is familiar with such instrument, and the contents thereof, and that the facts therein set forth are true to the best of his knowledge, information and belief.

(Name of Company) (Title of Officer)

(Signature) /s/ W. E. Long
(Officer signing amendment)

Subscribed and sworn to before me a Notary Public, this 11th day of
(Title of officer)

July, 1952.

(Official)
(Seal) My ~~Commission expires~~ January 21, 1953 /s/ Jas. J. Fallon
Notary Public

RECORD FOLDER

O.K. H. M. H. FILE

File No. 54-201
Amendment No. 2

This Amendment contains the following:

Paragraph 5 of the Application (amended) - Supplied.

Part 1 of the Plan, pages 11 and 12 of Exhibit 1 (amended) - Supplied.

First full paragraph of Part 2 of the Plan, page 12 of Exhibit 1 (amended) - Supplied.

Second full paragraph, page 15, of Exhibit 1 (amended) - Supplied.

Second full paragraph, page 18, of Exhibit 1 (amended) - Supplied.

Addition to Exhibit 1, following second full paragraph, page 22 - Supplied.

Paragraph 1, page 22, of Exhibit 1 (amended) - Supplied.

Paragraph 4, page 23, of Exhibit 1 (amended) - Supplied.

First two lines, page 1 of Exhibit A (amended) - Supplied.

Paragraph (d), page 3, of Exhibit A (amended) - Supplied.

Paragraph (d), page 4, of Exhibit A (amended) - Supplied.

Paragraph (d), page 5, of Exhibit A (amended) - Supplied.

Paragraph (c), page 6, of Exhibit A (amended) - Supplied.

Paragraph (d), page 7, of Exhibit A (amended) - Supplied.

First full paragraph, page 9, of Exhibit A (amended) - Supplied.

Paragraphs 5 and 6, page 11, of Exhibit A (amended) - Supplied.

Last paragraph of Paragraph 7, page 12, of Exhibit A (amended) - Supplied.

Addition to Paragraph 14, page 17, of Exhibit A - Supplied.

Additions to Exhibit A, page 46 (following Appendix A thereof) - Supplied.

First sentence of Paragraph 2, page 30, of Appendix A (amended) - Supplied.

Sub-paragraph (a) of Paragraph 8(A), page 36, of Appendix A (amended) - Supplied.

Sub-paragraph (b) of Paragraph 8(B), 3rd and 17th lines of page 37, of Appendix A (amended) - Supplied.

Sub-paragraph (d) of Paragraph 8(B), pages 38 and 39, of Appendix A (amended) - Supplied.

Sub-paragraph (E) of Paragraph 10, pages 42 and 43, of Appendix A (amended) - Supplied.

First full paragraph of Paragraph 14, page 45, of Appendix A (amended) - Supplied.

Exhibit B to Exhibit 1 - proposed Mortgage and Deed of Trust dated as of January 1, 1953, of U.G.I. to Fidelity-Philadelphia Trust Company, Trustee (3rd proof dated 7/9/52) - Supplied.

Exhibit C-3-A to Exhibit 1 - U.G.I. and Subsidiary Companies Consolidated Balance Sheet 12/31/51 (amended) - Supplied.

U.G.I. Pro Forma Balance Sheet 12/31/51 after giving effect to Parts 1 and 2 of the Plan (amended) - Supplied.

Exhibit 3 to Application - U.G.I. Declaration pursuant to Rule U-62 - Supplied.

AMENDMENT TO APPLICATION

Paragraph 5 of the Application is hereby amended to read as follows:

"5. U.G.I. requests the Commission to find that the proposed transactions set forth in parts 1, 2 and 3 of the Plan, and any amendments thereto, are necessary to effectuate the provisions of Section 11(b) of the Act and to be fair and equitable to the persons affected thereby, and to issue its order or orders as more particularly set forth below. U.G.I. further requests the Commission under Section 11(e) of the Act, to apply to a court in accordance with the provisions of Section 18(f) of the Act, to enforce and carry out the terms and provisions of part 2 of the Plan and any amendments thereto.

U.G.I. intends to solicit proxies from its stockholders with respect to the merger referred to in part 2 of the Plan and, accordingly, U.G.I. files herewith, marked Exhibit 3 and made a part hereof, a Declaration pursuant to Rule U-62."

AMENDMENTS TO COMPREHENSIVE PLAN
WHICH IS EXHIBIT 1 TO THE APPLICATION

Part 1 of the Plan, appearing on pages 11 and 12 of Exhibit 1, is hereby amended by adding at the end thereof the following new paragraph:

> "S.E.C.'s Order with respect to Part 1 shall become effective immediately upon issuance, and consummation of Part 1 shall take place as soon as practicable after the issuance of such Order."

The first full paragraph of Part 2 of the Plan, commencing on page 12 of Exhibit 1, is hereby amended to read as follows:

"PART 2

MERGER INTO U.G.I.
OF ITS PUBLIC UTILITY SUBSIDIARIES
AND DISSOLUTION OF ITS NON-UTILITY SUBSIDIARIES

After the consummation of Part 1 of this Plan, U.G.I. proposes that its public utility subsidiaries, i.e. Allentown-Bethlehem Gas Company, Consumers Gas Company, The Harrisburg Gas Company, Lancaster County Gas Company, Lebanon Valley Gas Company, Luzerne County Gas and Electric Corporation and The Philadelphia Gas Works Company, be merged into U.G.I., U.G.I. to be and remain the surviving corporation. As soon as practicable after S.E.C. has approved Part 2 of this Plan, U.G.I. proposes to take appropriate corporate proceedings under the Pennsylvania Merger and Consolidation Act of 1909, as amended, with respect to the proposed merger. U.G.I. will recommend to the Boards of Directors of its respective subsidiary companies so named that the directors of each of said subsidiaries shall approve and enter into a joint agreement substantially in the form annexed hereto as Exhibit A, under the corporate seal of each said subsidiary, for the merger of such companies into U.G.I. on the terms and conditions therein stated, and U.G.I. will vote its holdings of the capital or common stocks of each such subsidiary in favor thereof. The merger will become effective when the agreement of merger is delivered to and approved by the Department of State of the Commonwealth of Pennsylvania. U.G.I. intends that said agreement will be so delivered that the merger shall become effective at the close of business on December 31, 1952."

The second full paragraph on page 15 of Exhibit 1 is hereby amended to read as follows:

> "U.G.I. proposes to execute and deliver to Fidelity-Philadelphia Trust Company, Philadelphia, Pa., as Trustee, a new first mortgage, to be dated as of January 1, 1953, which will be a lien on substantially all of the property of U.G.I. The new mortgage will provide for seven series of bonds to be issued thereunder immediately, all to be dated as of January 1, 1953, and which series, respectively, shall have the same interest rates, interest payment dates, maturity dates, redemption prices, sinking fund and tax provisions as the various series set forth above. The aggregate principal amount of bonds of each new series to be issued initially shall be the aggregate principal amount, respectively, of bonds of the old series described above, to be outstanding on the effective date of the merger."

The second full paragraph, page 18, of Exhibit 1 is hereby amended to read as follows:

"After the effective date of the merger, all certificates representing outstanding shares of stock of any subsidiary merged into U.G.I. and all outstanding bonds of any such subsidiary shall represent no rights other than the rights of the holders thereof to receive, on surrender thereof for cancellation as set forth above, the shares or bonds of U.G.I. or cash hereinabove stated as the exchange therefor; all other rights of such stockholders or bondholders against or with respect to U.G.I. or such subsidiaries shall cease, determine and become void."

Exhibit 1 is hereby amended by adding thereto, following the second full paragraph on page 22 thereof, the following:

"ACQUISITION OF CAPITAL STOCK
OF CONSUMERS GAS COMPANY

On or about July 1, 1951, Drexel & Co. acquired 1,459 shares of the capital stock of Consumers Gas Company at a price of $20.25 per share, and it still owns such shares. Drexel & Co. has offered to sell these shares, at its cost, to U.G.I. on U.G.I.'s request therefor.

At July 11, 1952, the market value of the Consumers Gas Company capital stock was approximately $23.50 per share. U.G.I. proposes to acquire these shares of Consumers capital stock at their cost to Drexel & Co. as soon as practicable following S.E.C. approval of the Plan and prior to the effective date of the merger."

Paragraph numbered 1, page 22, of Exhibit 1 is hereby amended to read as follows:

"1. The carrying out of the various parts of the Plan is subject to the securing of all necessary approvals and consents of governmental bodies, agencies or authorities having jurisdiction over the various transactions."

Paragraph numbered 4, page 23, of Exhibit 1 is hereby amended to read as follows:

"4. That S.E.C., pursuant to the request of U.G.I. contained in the Application submitting this Plan, shall apply to a Court, in accordance with the provisions of subsection (f) of Section 18 of the Act, to enforce and carry out the terms and provisions of Part 2 of the Plan, and such Court, after notice and opportunity for hearing, shall enter a decree or order approving Part 2 of the Plan as fair and equitable and as appropriate to effectuate the provisions of Section 11 of the Act, and shall have taken action to enforce and to carry out the terms and provisions of Part 2 of the Plan, and such decree or order is no longer subject to judicial review."

AMENDMENTS TO MERGER AGREEMENT
WHICH IS EXHIBIT A TO EXHIBIT 1 TO THE APPLICATION

The first two lines of the Merger Agreement, page 1 of Exhibit A, shall be amended to read as follows:

> "AGREEMENT OF MERGER made and entered into as of the 31st day of December, 1952, by and among ALLENTOWN-BETHLEHEM GAS COMPANY"

Paragraph (d) on page 3 of said Exhibit A is hereby amended to read as follows:

> "(d) has an authorized indebtedness of \$10,000,000 and has First Mortgage Bonds issued and outstanding consisting of \$2,172,000 of 3-3/4% Series (reduced to 3% effective March 1, 1947) due September 1, 1965, \$1,455,000 of 3-1/4% Series due December 1, 1968, and \$1,500,000 of 3.348% Series due June 1, 1976, or \$5,127,000 in the aggregate;"

Paragraph (d) on page 4 of said Exhibit A is hereby amended to read as follows:

> "(d) has an authorized indebtedness of \$5,000,000 and has issued and outstanding a 4% Promissory Note in the principal amount of \$875,000 to U.G.I., due September 1, 1953;"

Paragraph (d) on page 5 of said Exhibit A is hereby amended to read as follows:

> "(d) has an authorized indebtedness of \$10,000,000, and has issued and outstanding First Mortgage Bonds to the extent of \$2,002,000 of 2-5/8% Series due May 1, 1971, \$970,000 of 3-1/8% Series due May 1, 1971, and \$1,000,000 of 3.15% Series due May 1, 1976, or \$3,972,000 in the aggregate;"

Paragraph (c) on page 6 of said Exhibit A is hereby amended to read as follows:

> "(c) has an authorized capital stock of 8,000 Preferred shares, each having a par value of \$50, or \$400,000 in the aggregate, no such shares being now outstanding (but 3,158 of such shares having been issued and redeemed and now held as Treasury shares), and of 20,000 Common shares, each having a par value of \$50, or \$1,000,000 in the aggregate, of which 19,800 shares, or \$990,000 in the aggregate, are issued and outstanding;"

The last Paragraph (d) on page 7 of said Exhibit A is hereby amended to read as follows:

"(d) has an authorized indebtedness of $10,000,000 and has issued and outstanding Promissory Notes in the aggregate principal amount of $ to banks, payable in installments, the last installment being due July 1, 1955."

The first full paragraph on page 9 of said Exhibit A is hereby amended to read as follows:

"NOW, THEREFORE, THIS AGREEMENT WITNESSETH that the parties hereto, in consideration of the premises and of the terms and conditions hereinafter set forth and of other good and valuable considerations, have mutually agreed and do hereby mutually agree, pursuant to said Act of May 3, 1909 and the various supplements and amendments thereto, that, effective as of the close of business on December 31, 1952, Allentown-Bethlehem, Consumers, Harrisburg, Lancaster, Lebanon, Luzerne, and Philadelphia shall be merged with and into U.G.I. which shall be the surviving corporation, and all the rights, privileges and franchises (except to the extent hereinafter otherwise provided) and all the estate and property now vested in each of the parties hereto so merged shall be possessed by and vested in U.G.I. as the surviving corporation under the following terms and conditions and with the following mode of carrying said merger into effect:"

Paragraphs numbered 5 and 6 on page 11 of said Exhibit A are hereby amended to read as follows:

"5. The principal office of the Company shall be located at 1401 Arch Street, Philadelphia, Pennsylvania, until such time as it may be changed by proper corporate action duly taken."

"6. The By-Laws of U.G.I., party hereto, shall be the By-Laws of the Company, except that Article XV relating to amendments shall be amended to read as follows:

'Section 1. These By-Laws, except as provided below, may be amended, repealed or added to from time to time, by a vote of a majority of the Board of Directors at any regular meeting, or at any special meeting, when notice of the proposed amendment, repeal or addition shall have been given in the call for such special meeting. Such action by the Board of Directors is subject, however, to the general right of the stockholders to amend or repeal any provision of these By-Laws whether made, amended, repealed or added to by the Board of Directors or otherwise. The provisions of Article I of these By-Laws may only be amended, repealed or added to by the stockholders.'"

The last paragraph of Paragraph 7 on page 12 of said Exhibit A is hereby amended to read as follows:

> "The authorized shares of stock of the Company not needed in converting the stock of the corporations, parties hereto, into that of the Company may be issued and disposed of from time to time by the Board of Directors of the Company to such persons and upon such terms and conditions as in their absolute discretion they may deem advisable, but in no event at less than the par value thereof; except as may be otherwise provided by paragraph 14 of Appendix A hereto attached."

There shall be added to the end of Paragraph 14 on page 17 of said Exhibit A the following:

> "It is the further intention of the parties hereto that the said merger shall become effective at the close of business on December 31, 1952 and that the original or copy of this Agreement and the certificates referred to in this paragraph 14 be delivered to the Department of State of the Commonwealth of Pennsylvania at such time as will ensure its approval of this Agreement as of said date and time."

There shall be added to said Exhibit A, at page 46 following Appendix A thereof, a certificate by each of the Secretaries of the corporations parties to the Agreement of Merger substantially in the following forms:

ALLENTOWN-BETHLEHEM GAS COMPANY

CERTIFICATE OF SECRETARY

To the Honorable Gene D. Smith,
Secretary of the Commonwealth of Pennsylvania:

I, the undersigned, Secretary of Allentown-Bethlehem Gas Company, do hereby certify that a meeting of the stockholders of said Allentown-Bethlehem Gas Company was held at the principal office of the said Company on , 1952, at o'clock .M. (Eastern Daylight Saving Time), for the purpose of taking action on the adoption or rejection of the above and foregoing Agreement of Merger dated , 1952, entered into by and between the Directors of Allentown-Bethlehem Gas Company, Consumers Gas Company, The Harrisburg Gas Company, Lancaster County Gas Company, Lebanon Valley Gas Company, Luzerne County Gas and Electric Corporation, The Philadelphia Gas Works Company, and The United Gas Improvement Company, under their respective corporate seals, for the merger of all of the said corporations into a single corporation to be known by the name, style and title of The United Gas Improvement Company.

That said Agreement of Merger was submitted to the stockholders of said Allentown-Bethlehem Gas Company at said meeting held on , 1952, which said meeting was called separately for the purpose of taking action on the adoption or rejection of the said Agreement of Merger, notice of the time and place of holding which said meeting and of the object thereof being duly given in writing not less than ten (10) days before the date of said meeting to each stockholder of record of the said Company whether or not entitled to vote on such Agreement of Merger.

That at the said meeting of the stockholders of Allentown-Bethlehem Gas Company held as aforesaid, the said Agreement of Merger was submitted to said stockholders (there being shares of capital stock of said Allentown-Bethlehem Gas Company entitled to vote thereupon) and a vote by ballot was duly taken in the manner prescribed by law, for the adoption or rejection of the same; and at the election so held there were shares of the entire capital stock of said Allentown-Bethlehem Gas Company voted in favor of said Agreement of Merger and there were shares voted against the approval thereof.

Witness my hand and the seal of said corporation this day of , 1952.

____

Secretary of
ALLENTOWN-BETHLEHEM GAS COMPANY

(SEAL)

COMMONWEALTH OF PENNSYLVANIA:
: SS
COUNTY OF [illegible] :

Before me, a notary public in and for the county aforesaid, personally appeared , Secretary of [illegible] GAS COMPANY who, having been duly sworn, deposes and says that the statements contained in the foregoing certificate are true and correct.

____

Sworn to and subscribed:
before me this day:
of , 1952. :

____
Notary Public
My Commission Expires:

CONSUMERS GAS COMPANY

CERTIFICATE OF SECRETARY

To the Honorable Gene D. Smith,
Secretary of the Commonwealth of Pennsylvania:

I, the undersigned, Secretary of Consumers Gas Company, do hereby certify that a meeting of the stockholders of said Consumers Gas Company was held at the principal office of the said Company on , 1952, at o'clock .M. (Eastern Daylight Saving Time), for the purpose of taking action on the adoption or rejection of the above and foregoing Agreement of Merger dated , 1952, entered into by and between the Directors of Allentown-Bethlehem Gas Company, Consumers Gas Company, The Harrisburg Gas Company, Lancaster County Gas Company, Lebanon Valley Gas Company, Luzerne County Gas and Electric Corporation, The Philadelphia Gas Works Company, and The United Gas Improvement Company, under their respective corporate seals, for the merger of all of the said corporations into a single corporation to be known by the name, style and title of The United Gas Improvement Company.

That said Agreement of Merger was submitted to the stockholders of said Consumers Gas Company at said meeting held on , 1952, which said meeting was called separately for the purpose of taking action on the adoption or rejection of the said Agreement of Merger, notice of the time and place of holding which said meeting and of the object thereof being duly given in writing not less than ten (10) days before the date of said meeting to each stockholder of record of the said Company whether or not entitled to vote on such Agreement of Merger.

That at the said meeting of the stockholders of Consumers Gas Company held as aforesaid, the said Agreement of Merger was submitted to said stockholders (there being shares of capital stock of said Consumers Gas Company entitled to vote thereupon) and a vote by ballot was duly taken in the manner prescribed by law, for the adoption or rejection of the same; and at the election so held there were shares of the entire capital stock of said Consumers Gas Company voted in favor of said Agreement of Merger and there were shares voted against the approval thereof.

Witness my hand and the seal of said corporation this day of , 1952.

Secretary of

(SEAL)

CONSUMERS GAS COMPANY

COMMONWEALTH OF PENNSYLVANIA:
: SS
COUNTY OF :

Before me, a notary public in and for the county aforesaid, personally appeared , Secretary of [illegible] GAS COMPANY who, having been duly sworn, deposes and says that the statements contained in the foregoing certificate are true and correct.

____

Sworn to and subscribed:
before me this day:
of , 1952. :

____
Notary Public

My Commission Expires:

THE HARRISBURG GAS COMPANY

CERTIFICATE OF SECRETARY

To the Honorable Gene D. Smith,
Secretary of the Commonwealth of Pennsylvania:

I, the undersigned, Secretary of The Harrisburg Gas Company, do hereby certify that a meeting of the stockholders of said The Harrisburg Gas Company was held at the principal office of the said Company on , 1952, at o'clock .M. (Eastern Daylight Saving Time), for the purpose of taking action on the adoption or rejection of the above and foregoing Agreement of Merger dated , 1952, entered into by and between the Directors of Allentown-Bethlehem Gas Company, Consumers Gas Company, The Harrisburg Gas Company, Lancaster County Gas Company, Lebanon Valley Gas Company, Luzerne County Gas and Electric Corporation, The Philadelphia Gas Works Company, and The United Gas Improvement Company, under their respective corporate seals, for the merger of all of the said corporations into a single corporation to be known by the name, style and title of The United Gas Improvement Company.

That said Agreement of Merger was submitted to the stockholders of said The Harrisburg Gas Company at said meeting held on , 1952, which said meeting was called separately for the purpose of taking action on the adoption or rejection of the said Agreement of Merger, notice of the time and place of holding which said meeting and of the object thereof being duly given in writing not less than ten (10) days before the date of said meeting to each stockholder of record of the said Company whether or not entitled to vote on such Agreement of Merger.

That at the said meeting of the stockholders, of The Harrisburg Gas Company held as aforesaid, the said

Agreement of Merger was submitted to said stockholders (there being shares of $4\frac{1}{2}\%$ Preferred Stock and shares of common stock of The [illegible] Gas Company entitled to vote thereupon) and a vote by ballot was duly taken in the manner prescribed by law, for the adoption or rejection of the same; and at the election so held more than a majority in amount of the entire capital stock of said corporation was voted in favor of said Agreement of Merger, to wit:

shares of $4\frac{1}{2}\%$ Preferred stock of the par value of \$ per share, or an aggregate of \$, of the total outstanding issue of 4,838 such shares aggregating \$, and

shares of the Common stock of the stated value of \$ per share, or an aggregate of \$, of the total outstanding issue of 41,433 such shares aggregating \$, and

shares of said Preferred stock, aggregating \$, and shares of said Common stock, aggregating \$, were voted against the approval thereof.

Witness my hand and the seal of said corporation this day of , 1952.

Secretary of [illegible] Gas Company

(SEAL)

COMMONWEALTH OF PENNSYLVANIA:
: SS
COUNTY OF [redacted] :

Before me, a notary public in and for the county aforesaid, personally appeared , Secretary of [redacted] who, having been duly sworn, deposes and says that the statements contained in the foregoing certificate are true and correct.

____

Sworn to and subscribed:
before me this day:
of , 1952. :

____
Notary Public
My Commission Expires:

LANCASTER COUNTY GAS COMPANY

CERTIFICATE OF SECRETARY

To the Honorable Gene D. Smith,
Secretary of the Commonwealth of Pennsylvania:

I, the undersigned, Secretary of Lancaster County Gas Company, do hereby certify that a meeting of the stockholders of said Lancaster County Gas Company was held at the principal office of the said Company on , 1952, at o'clock .M. (Eastern Daylight Saving Time), for the purpose of taking action on the adoption or rejection of the above and foregoing Agreement of Merger dated , 1952, entered into by and between the Directors of Allentown-Bethlehem Gas Company, Consumers Gas Company, The Harrisburg Gas Company, Lancaster County Gas Company, Lebanon Valley Gas Company, Luzerne County Gas and Electric Corporation, The Philadelphia Gas Works Company, and The United Gas Improvement Company, under their respective corporate seals, for the merger of all of the said corporations into a single corporation to be known by the name, style and title of The United Gas Improvement Company.

That said Agreement of Merger was submitted to the stockholders of said Lancaster County Gas Company at said meeting held on , 1952, which said meeting was called separately for the purpose of taking action on the adoption or rejection of the said Agreement of Merger, notice of the time and place of holding which said meeting and of the object thereof being duly given in writing not less than ten (10) days before the date of said meeting to each stockholder of record of the said Company whether or not entitled to vote on such Agreement of Merger.

That at the said meeting of the stockholders of Lancaster County Gas Company held as aforesaid, the said Agreement of Merger was submitted to said stockholders (there being shares of capital stock of said Lancaster County Gas Company entitled to vote thereupon) and a vote by ballot was duly taken in the manner prescribed by law, for the adoption or rejection of the same; and at the election so held there were shares of the entire capital stock of said Lancaster County Gas Company voted in favor of said Agreement of Merger and there were shares voted against the approval thereof.

Witness my hand and the seal of said corporation this day of , 1952.

Secretary of
LANCASTER COUNTY GAS COMPANY

(SEAL)

COMMONWEALTH OF PENNSYLVANIA:
: SS
COUNTY OF LANCASTER :

Before me, a notary public in and for the county aforesaid, personally appeared , Secretary of LANCASTER COUNTY GAS COMPANY who, having been duly sworn, deposes and says that the statements contained in the foregoing certificate are true and correct.

____

Sworn to and subscribed:
before me this day:
of , 1952. :

____
Notary Public
My Commission Expires:

LEBANON VALLEY GAS COMPANY

CERTIFICATE OF SECRETARY

To the Honorable Gene D. Smith,
Secretary of the Commonwealth of Pennsylvania:

I, the undersigned, Secretary of Lebanon Valley Gas Company, do hereby certify that a meeting of the stockholders of said Lebanon Valley Gas Company was held at the principal office of the said Company on , 1952, at o'clock .M. (Eastern Daylight Saving Time), for the purpose of taking action on the adoption or rejection of the above and foregoing Agreement of Merger dated , 1952, entered into by and between the Directors of Allentown-Bethlehem Gas Company, Consumers Gas Company, The Harrisburg Gas Company, Lancaster County Gas Company, Lebanon Valley Gas Company, Luzerne County Gas and Electric Corporation, The Philadelphia Gas Works Company, and The United Gas Improvement Company, under their respective corporate seals, for the merger of all of the said corporations into a single corporation to be known by the name, style and title of The United Gas Improvement Company.

That said Agreement of Merger was submitted to the stockholders of said Lebanon Valley Gas Company at said meeting held on , 1952, which said meeting was called separately for the purpose of taking action on the adoption or rejection of the said Agreement of Merger, notice of the time and place of holding which said meeting and of the object thereof being duly given in writing not less than ten (10) days before the date of said meeting to each stockholder of record of the said Company whether or not entitled to vote on such Agreement of Merger.

That at the said meeting of the stockholders of Lebanon Valley Gas Company held as aforesaid, the said Agreement of Merger was submitted to said stockholders (there being shares of capital stock of said Lebanon Valley Gas Company entitled to vote thereupon) and a vote by ballot was duly taken in the manner prescribed by law, for the adoption or rejection of the same; and at the election so held there were shares of the entire capital stock of said Lebanon Valley Gas Company voted in favor of said Agreement of Merger and there were shares voted against the approval thereof.

Witness my hand and the seal of said corporation this day of , 1952.

Secretary of
LEBANON VALLEY GAS COMPANY

(SEAL)

COMMONWEALTH OF PENNSYLVANIA:
: SS
COUNTY OF :

Before me, a notary public in and for the county aforesaid, personally appeared , Secretary of LEBANON VALLEY GAS COMPANY who, having been duly sworn, deposes and says that the statements contained in the foregoing certificate are true and correct.

____

Sworn to and subscribed:
before me this day:
of , 1952. :

____
Notary Public

My Commission Expires:

LUZERNE COUNTY GAS AND ELECTRIC CORPORATION

CERTIFICATE OF SECRETARY

To the Honorable Gene D. Smith,
Secretary of the Commonwealth of Pennsylvania:

I, the undersigned, Secretary of Luzerne County Gas and Electric Corporation, do hereby certify that a meeting of the stockholders of said Luzerne County Gas and Electric Corporation was held at the principal office of the said Company on , 1952, at o'clock .M. (Eastern Daylight Saving Time), for the purpose of taking action on the adoption or rejection of the above and foregoing Agreement of Merger dated , 1952, entered into by and between the Directors of Allentown-Bethlehem Gas Company, Consumers Gas Company, The Harrisburg Gas Company, Lancaster County Gas Company, Lebanon Valley Gas Company, Luzerne County Gas and Electric Corporation, The Philadelphia Gas Works Company, and The United Gas Improvement Company, under their respective corporate seals, for the merger of all of the said corporations into a single corporation to be known by the name, style and title of The United Gas Improvement Company.

That said Agreement of Merger was submitted to the stockholders of said Luzerne County Gas and Electric Corporation at said meeting held on , 1952, which said meeting was called separately for the purpose of taking action on the adoption or rejection of the said Agreement of Merger, notice of the time and place of holding which said meeting and of the object thereof being duly given in writing not less than ten (10) days before the date of said meeting to each stockholder of record of the said Company whether or not entitled to vote on such Agreement of Merger.

That at the said meeting of the stockholders of Luzerne County Gas and Electric Corporation held as aforesaid, the said

Agreement of Merger was submitted to said stockholders (there being shares of $4\frac{1}{4}\%$ Preferred Stock and shares of common stock of Luzerne County Gas and Electric Corporation entitled to vote thereupon) and a vote by ballot was duly taken in the manner prescribed by law, for the adoption or rejection of the same; and at the election so held more than a majority in amount of the entire capital stock of said corporation was voted in favor of said Agreement of Merger, to wit:

shares of $4\frac{1}{4}\%$ Preferred stock of the par value of $ per share, or an aggregate of $, of the total outstanding issue of 25,000 such shares aggregating $, and

shares of the Common stock of the stated value of $ per share, or an aggregate of $, of the total outstanding issue of 176,694 such shares aggregating $, and

shares of said Preferred stock, aggregating $, and shares of said Common stock, aggregating $, were voted against the approval thereof.

Witness my hand and the seal of said corporation this day of , 1952.

Secretary of
LUZERNE COUNTY GAS AND ELECTRIC CORPORATION

(SEAL)

COMMONWEALTH OF PENNSYLVANIA:
: SS
COUNTY OF LUZERNE :

Before me, a notary public in and for the county aforesaid, personally appeared , Secretary of LUZERNE COUNTY GAS AND ELECTRIC CORPORATION who, having been duly sworn, deposes and says that the statements contained in the foregoing certificate are true and correct.

____

Sworn to and subscribed:
before me this day:
of , 1952. :

____
Notary Public

My Commission Expires:

THE PHILADELPHIA GAS WORKS COMPANY

CERTIFICATE OF SECRETARY

To the Honorable Gene D. Smith,
Secretary of the Commonwealth of Pennsylvania:

I, the undersigned, Secretary of The Philadelphia Gas Works Company, do hereby certify that a meeting of the stockholders of said The Philadelphia Gas Works Company was held at the principal office of the said Company on , 1952, at o'clock .M. (Eastern Daylight Saving Time), for the purpose of taking action on the adoption or rejection of the above and foregoing Agreement of Merger dated , 1952, entered into by and between the Directors of Allentown-Bethlehem Gas Company, Consumers Gas Company, The Harrisburg Gas Company, Lancaster County Gas Company, Lebanon Valley Gas Company, Luzerne County Gas and Electric Corporation, The Philadelphia Gas Works Company, and The United Gas Improvement Company, under their respective corporate seals, for the merger of all of the said corporations into a single corporation to be known by the name, style and title of The United Gas Improvement Company.

That said Agreement of Merger was submitted to the stockholders of said The Philadelphia Gas Works Company at said meeting held on , 1952, which said meeting was called separately for the purpose of taking action on the adoption or rejection of the said Agreement of Merger, notice of the time and place of holding which said meeting and of the object thereof being duly given in writing not less than ten (10) days before the date of said meeting to each stockholder of record of the said Company whether or not entitled to vote on such Agreement of Merger.

That at the said meeting of the stockholders of The Philadelphia Gas Works Company held as aforesaid, the said Agreement of Merger was submitted to said stockholders (there being shares of capital stock of said The Philadelphia Gas Works Company entitled to vote thereupon) and a vote by ballot was duly taken in the manner prescribed by law, for the adoption or rejection of the same; and at the election so held there were shares of the entire capital stock of said The Philadelphia Gas Works Company voted in favor of said Agreement of Merger and there were shares voted against the approval thereof.

Witness my hand and the seal of said corporation this day of , 1952.

Secretary of
THE PHILADELPHIA GAS WORKS COMPANY

(SEAL)

COMMONWEALTH OF PENNSYLVANIA:
: SS
COUNTY OF PHILADELPHIA :

Before me, a notary public in and for the county aforesaid, personally appeared , Secretary of THE PHILADELPHIA GAS WORKS COMPANY who, having been duly sworn, deposes and says that the statements contained in the foregoing certificate are true and correct.

____

Sworn to and subscribed:
before me this day:
of , 1952. :

____
Notary Public
My Commission Expires:

THE UNITED GAS IMPROVEMENT COMPANY

CERTIFICATE OF SECRETARY

To the Honorable Gene D. Smith,
Secretary of the Commonwealth of Pennsylvania:

I, the undersigned, Secretary of The United Gas Improvement Company, do hereby certify that a meeting of the stockholders of said The United Gas Improvement Company was held at the principal office of the said Company on , 1952, at o'clock .M. (Eastern Daylight Saving Time), for the purpose of taking action on the adoption or rejection of the above and foregoing Agreement of Merger dated , 1952, entered into by and between the Directors of Allentown-Bethlehem Gas Company, Consumers Gas Company, The Harrisburg Gas Company, Lancaster County Gas Company, Lebanon Valley Gas Company, Luzerne County Gas and Electric Corporation, The Philadelphia Gas Works Company, and The United Gas Improvement Company, under their respective corporate seals, for the merger of all of the said corporations into a single corporation to be known by the name, style and title of The United Gas Improvement Company.

That said Agreement of Merger was submitted to the stockholders of said The United Gas Improvement Company at said meeting held on , 1952, which said meeting was called separately for the purpose of taking action on the adoption or rejection of the said Agreement of Merger, notice of the time and place of holding which said meeting and of the object thereof being duly given in writing not less than ten (10) days before the date of said meeting to each stockholder of record of the said Company whether or not entitled to vote on such Agreement of Merger.

That at the said meeting of the stockholders of The United Gas Improvement Company held as aforesaid, the said Agreement of Merger was submitted to said stockholders (there being shares of capital stock of said The United Gas Improvement Company entitled to vote thereupon) and a vote by ballot was duly taken in the manner prescribed by law, for the adoption or rejection of the same; and at the election so held there were   shares of the entire capital stock of said The United Gas Improvement Company voted in favor of said Agreement of Merger and there were   shares voted against the approval thereof.

Witness my hand and the seal of said corporation this   day of   , 1952.

Secretary of
THE UNITED GAS IMPROVEMENT COMPANY

(SEAL)

COMMONWEALTH OF PENNSYLVANIA:
: SS
COUNTY OF PHILADELPHIA :

Before me, a notary public in and for the county aforesaid, personally appeared , Secretary of THE UNITED GAS IMPROVEMENT COMPANY who, having been duly sworn, deposes and says that the statements contained in the foregoing certificate are true and correct.

Sworn to and subscribed:
before me this day:
of , 1952. :

Notary Public

My Commission Expires:

AMENDMENTS TO THE PREFERENCES OF U.G.I. CAPITAL STOCK
WHICH IS APPENDIX A TO EXHIBIT A TO EXHIBIT 1 TO THE APPLICATION

The first sentence of Paragraph numbered 2 on page 30 of said Appendix A is hereby amended to read as follows:

"2. The holders of each series of the Preferred Stock at the time outstanding shall be entitled to receive, but only when and as declared by the Board of Directors, out of funds legally available for the payment of dividends, cumulative preferential dividends, at the annual dividend rate for the particular series fixed therefor as herein provided, payable quarter-yearly on the first days of January, April, July and October in each year, to stockholders of record on the respective dates, not exceeding seventy (70) days and not less than ten (10) days, preceding such dividend payment dates, fixed for the purpose by the Board of Directors."

Sub-paragraph (a) of Paragraph numbered 8(A) on page 36 of said Appendix A is hereby amended to read as follows:

"(a) Authorize or issue (any such issuance to be within 180 days after such written consent or vote) any kind of stock (other than a series of the Preferred Stock) ranking prior to or on a parity with the Preferred Stock, or authorize or issue any obligation or security convertible into shares of stock of any such kind; or"

Delete the words "prior to or" in the 3rd and 17th lines of sub-paragraph (b) of Paragraph numbered 8(B) on page 37 of said Appendix A.

Sub-paragraph (d) of Paragraph numbered 8(B) on pages 38 and 39 of said Appendix A is hereby amended to read as follows:

"(d) Issue any unsecured notes, debentures or other securities representing unsecured indebtedness, or assume any such unsecured securities, for purposes other than the refunding of outstanding unsecured securities theretofore issued or assumed by the Company or the reacquisition, redemption or other retirement of any indebtedness, authorized by the Securities and Exchange Commission under the provisions of the Public Utility Holding Company Act of 1935 or by any successor commission or other regulatory authority of the United States of America having jurisdiction over the reacquisition, redemption or other retirement of such indebtedness, or the reacquisition, redemption or other retirement of all outstanding shares of the Preferred Stock, if, immediately after such issue or assumption, the total principal amount of all unsecured notes, debentures or other securities representing unsecured indebtedness issued or assumed by the Company and then outstanding, including the unsecured securities then to be issued or assumed but excluding unsecured indebtedness maturing within one year after such issue or assumption, would exceed ten per centum (10%) of the aggregate of (i) the total principal amount of all bonds or other securities representing secured indebtedness issued or assumed by the Company and then to be outstanding, and (ii) the capital and surplus of the Company as then to be stated on the books of account of the Company; or"

Sub-paragraph (E) of Paragraph numbered 10 on pages 42 and 43 of said Appendix A is hereby amended to read as follows:.

"(E) Whenever under the provisions of subparagraph (B) hereof, the right shall have accrued to the holders of the Preferred Stock to elect directors, it shall be the duty of the president, a vice-president or the secretary of the Company forthwith to call and cause notice to be given to the shareholders entitled to vote at a meeting to be held at such time as the Company's officers may fix, not less than forty-five nor more than sixty days after the accrual of such right, for the purpose of electing directors. The notice so given shall be mailed to each holder of record of the Preferred Stock at his last known address appearing on the books of the Company and shall set forth, among other things, (i) that by reason of the fact that dividends payable on the Preferred Stock are in default in an amount equal to four full quarterly payments or more per share, the holders of the Preferred Stock, voting separately as a class, have the right to elect the smallest number of directors necessary to constitute a majorty of the full Board of Directors of the Company, (ii) that any holder of the Preferred Stock has the right, at any reasonable time, to inspect, and make copies of, the list or lists of holders of the Preferred Stock maintained at the principal office of the Company or at the office of any Transfer Agent of the Preferred Stock, and (iii) either the entirety of this paragraph or the substance thereof with respect to the number of shares of the Preferred Stock required to be represented at any meeting, or adjournment thereof, called for the election of directors of the Company. At the first meeting of stockholders held for the purpose of electing directors during such time as the holders of the Preferred Stock shall have the special right, voting separately as a class, to elect directors, the presence in person or by proxy of the holders of a majority of the outstanding Common Stock shall be required to constitute a quorum of such class for the election of directors, and the presence in person or by proxy of the holders of a majority of the outstanding shares of all Series of the Preferred Stock shall be required to constitute a quorum of such class for the election of directors; provided, however, that in the absence of a quorum of the holders of the Preferred Stock, no election of directors shall be held, but a majority of the holders of the Preferred Stock who are present in person or by proxy shall have power to adjourn the election of the directors to a date not less than fifteen nor more than fifty days from the giving of the notice of such adjourned meeting hereinafter provided for; and provided, further, that at such adjourned meeting, the presence in person or by proxy of the holders of 35% of the outstanding shares of all Series of the Preferred Stock shall be required to constitute a quorum of such class for the election of directors. In the event such first meeting of stockholders shall be so adjourned, it shall be the duty of the president, a vice-president or the secretary of the Company, within ten days from the date on which such first meeting shall have been adjourned, to cause notice of such adjourned meeting to be given to the shareholders entitled to vote thereat, such adjourned meeting to be held not less than fifteen days nor more than fifty days from the giving of such second notice. Such second notice shall be given in the form and manner hereinabove provided for with respect to the notice required to be given of such first meeting of stockholders, and shall further set forth that a quorum was not present at such first meeting and that the holders of 35% of the outstanding shares of all Series of the Preferred Stock shall be required to constitute a quorum of such class for the election of directors at such adjourned meeting. If the requisite quorum of holders of the Preferred Stock shall not be present at said adjourned meeting, then the directors of the Company then in office shall remain in office until the next Annual Meeting of the Company, or special meeting in lieu thereof, and until their successors shall have been elected and shall qualify. Neither such first meeting nor such adjourned meeting shall be held on a date within sixty days of the date of the next Annual Meeting of the Company or special meeting in lieu thereof. At each Annual Meeting of the Company, or special meeting in lieu thereof, held during such time as the holders of the Preferred Stock, voting separately as a class, shall have the right to elect a majority of the Board of Directors, the foregoing provisions of this paragraph shall govern such Annual Meeting, or special meeting in lieu thereof, as if said Annual Meeting or special meeting were the first meeting of stockholders held for the purpose of electing directors after the right of the holders of the Preferred Stock, voting separately as a class, to elect a majority of the Board of Directors, should have accrued, with the exception that if, at any adjourned Annual Meeting, or special meeting in lieu thereof, 35% of the outstanding shares of all Series of the Preferred Stock is not present in person or by proxy, all the directors shall be elected by a vote of the holders of a majority of the Common Stock of the Company present or represented at the meeting."

The first full paragraph of Paragraph numbered 14 on page 45 of said Appendix A is hereby amended to read as follows:

"14. The holders of shares of the Common Stock shall have the prior right, in proportion to the number of shares of Common Stock held by them respectively, to purchase additional shares of Common Stock and securities convertible into Common Stock issued by the Company upon original issuance and sale for cash. Such prior right may not be altered without the consent (given in writing or by vote at a meeting called for that purpose in accordance with the provisions of paragraph 12 hereof) of the holders of at least two-thirds of the total number of shares of the Common Stock then outstanding. Such prior rights shall be exercisable only at the price at which such stock or securities are to be sold as fixed at the time by the Board of Directors of the Company and only within such period of time as shall be prescribed at the time by the Board of Directors of the Company but not less than fifteen (15) days following the mailing to such stockholders of notice of their right to purchase such additional shares. Except as above provided in this paragraph 14, no holder of shares of the Common Stock shall be entitled as such as a matter of right to subscribe for or purchase any part of any new or additional issue of stock, or securities convertible into stock, of any class whatsoever, whether now or hereafter authorized, and whether issued for cash, property, services, by way of dividends, or otherwise."

(EXHIBIT B to EXHIBIT 1 - PROPOSED MORTGAGE

AND DEED OF TRUST - OMITTED FROM THIS COPY)

Exhibit C 3A
Amended

THE UNITED GAS IMPROVEMENT COMPANY AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEET, DECEMBER 31, 1951
AND THE UNITED GAS IMPROVEMENT COMPANY
PRO FORMA BALANCE SHEET, DECEMBER 31, 1951
(after giving effect to Parts I and II of the Plan dated December 18, 1951)

ASSETS AND OTHER DEBITS	The U.G.I.Co. and Subsidiary Companies Consolidated	Adjustment (Increase) Decrease	Pro Forma The U.G.I.Co. After Giving Effect to Parts I and II of Plan
Plant and Equipment (including tangibles):			
Electric and Gas Utility Plant:			
Original Cost	$67,142,527	($5,234,460)	$72,376,987
Acquisition Adjustments	(204,202)	-	(204,202)
Non-Utility Plant, at cost	9,051,728	9,051,728	-
	75,990,053	3,817,268	72,172,785
Less - Reserve for Depreciation and Amortization	20,703,404	2,217,902	18,485,502
	55,286,649	1,599,366	53,687,283
Investments (at cost or less):			
Investment Securities:			
Other Companies	4,642,743	-	4,642,743
Other Physical Property	132,446	(5,020,755)	5,153,201
Less - Reserve for Depreciation and Amortization	-	(2,506,623)	2,506,623
	132,446	(2,514,132)	2,646,578
Other Investments	3,000	-	3,000
	4,778,189	(2,514,132)	7,292,321
Advances to The Philadelphia Gas Works Company, Lessee	5,200,000	5,200,000	-
Loans in Connection with operation of City of Philadelphia Gas Works	-	(5,200,000)	5,200,000
Sinking and Special Funds	256,946	-	256,946
Current and Accrued Assets:			
Cash on Hand and Demand Deposits in Banks	3,060,320	(54,828)	3,115,148
Special Deposits	228,388	(514)	228,902
Temporary Cash Investments	1,800,767	1,500,767	300,000
Accounts Receivable:			
Customers (Service)	1,082,986	(18,788)	1,101,774
Merchandise and Jobbing (Including installment accounts)	531,413	(3,363)	534,776
Others	98,494	-	98,494
Less - Reserve for Uncollectible Accounts	(151,924)	(1,332)	(153,256)
The Philadelphia Gas Works Company, Lessee	1,268,296	1,268,296	-
Receivable in connection with operation of City of Philadelphia Gas Works	-	(1,268,296)	1,268,296
Affiliated Companies		-	-
Interest and Rents Receivable	65,100	-	65,100
Materials and Supplies	2,278,864	(7,874)	2,286,738
Prepayments	92,219	(1,310)	93,529
Total Current and Accrued Assets	10,354,923	1,415,422	8,939,501
Deferred Debits:			
Amount Receivable by Ugite Sales Corporation under Agreement	425,000	425,000	-
Other	564,078	-	564,078
	989,078	425,000	564,078
TOTAL ASSETS AND OTHER DEBITS	$76,865,785	$925,656	$75,940,129

LIABILITIES AND OTHER CREDITS	The U.G.I.Co. and Subsidiary Companies Consolidated	Adjustment (Increase) Decrease	Pro Forma The U.G.I.Co. After Giving Effect to Parts I and II of Plan
Capital Stocks and Surplus:			
Preferred stock - 4½% Series - $100 par value	$ -	($2,500,000)	$ 2,500,000
Capital Stock - $13.50 par value	16,614,990	16,614,990	-
Common Stock - $13.50 par value	-	(18,146,727)	18,146,727
Surplus:			
Earned	24,421,978	(237,172)	24,659,150
Reserved for Possible Losses on Investments	3,844,421	3,844,421	-
Capital	824,489	(5,889,407)	6,713,896
Net excess of equity in Capital Stocks of subsidiary companies at dates of acquisition or reorganization over investment therein	317,689	317,689	-
Minority interest in subsidiary companies:			
Capital Stocks	3,004,454	3,004,454	-
Surplus	277,202	277,202	-
Preferred stocks - subsidiary companies	2,986,470	2,986,470	-
Total Capital Stocks and Surplus	52,291,693	271,920	52,019,773
Long-term Debt:			
Bonds - The U.G.I. Co.	-	(15,758,000)	15,758,000
Bonds - subsidiary companies	15,758,000	15,758,000	-
Less - Sinking Fund requirements due in 1952 (estimated)	(110,000)	-	(110,000)
Notes Payable - Banks	1,950,000	-	1,950,000
	17,598,000	-	17,598,000
Current and Accrued Liabilities:			
Notes Payable - banks	2,115,000	915,000	1,200,000
Sinking Fund requirements - estimated	110,000	-	110,000
Accounts Payable	806,399	(30,027)	836,426
Dividends declared	128,010	-	128,010
Matured Interest	107,435	-	107,435
Customers' Deposits	75,879	(7,846)	83,725
Taxes Accrued	2,361,616	(277)	2,361,893
Interest Accrued	82,293	(727)	83,020
Other	134,341	(1,928)	136,269
Total Current and Accrued Liabilities	5,920,973	874,195	5,046,778
Deferred Credits	141,386	(176,572)	317,958
Reserves:			
Other	429,671	(42,179)	471,850
Prior Years' Taxes	210,671	-	210,671
	640,342	(42,179)	682,521
Contributions in Aid of Construction	273,391	(1,708)	275,099
TOTAL LIABILITIES AND OTHER CREDITS	$76,865,785	$925,656	$75,940,129

DECLARATION PURSUANT TO RULE U-62

Declaration with respect to solicitation of proxies for special meeting of stockholders of The United Gas Improvement Company to act on the Agreement of Merger which is Exhibit A to the Comprehensive Plan dated December 18, 1951, as amended

1. The United Gas Improvement Company (U.G.I.) proposes to solicit proxies from its stockholders to act on the adoption or rejection of the agreement for the merger of Allentown-Bethlehem Gas Company, Consumers Gas Company, The Harrisburg Gas Company, Lancaster County Gas Company, Lebanon Valley Gas Company, Luzerne County Gas and Electric Corporation, and The Philadelphia Gas Works Company with and into The United Gas Improvement Company as the surviving corporation, which is set out as Exhibit A to the Comprehensive Plan dated December 18, 1951, as amended, of U.G.I., heretofore filed as Exhibit 1 to the Application filed by U.G.I. for an order of the Commission for approval of such Plan pursuant to Section 11(e) and other sections of the Public Utility Holding Company Act of 1935, to which Application this Declaration is Exhibit 3.

2. After securing all necessary Governmental approvals, U.G.I. will make the solicitation by mailing to its stockholders, at least ten days prior to the date fixed for the meeting, a printed booklet containing the letter of solicitation, the Notice of Meeting and the other material referred to in the letter of solicitation, accompanied by a form of Proxy, which booklet and form of Proxy shall be in substantially the forms attached hereto as Exhibit 3-A. The cost of preparing, assembling and mailing the booklet and Proxy will be paid by U.G.I.

3. U.G.I. requests that this Declaration shall become effective immediately upon the issuance of the Commission's Order with respect to the Application filed in this proceeding for approval of said Comprehensive Plan.

THE UNITED GAS IMPROVEMENT COMPANY

1401 Arch Street

Philadelphia 5, Pa.

BOOKLET

RELATING TO COMPREHENSIVE PLAN, AS AMENDED,

FILED WITH THE SECURITIES AND EXCHANGE COMMISSION

PURSUANT TO SECTION 11(e)

OF THE PUBLIC UTILITY HOLDING COMPANY ACT OF 1935

Dated: , 1952.

CONTENTS

THE UNITED GAS IMPROVEMENT COMPANY
1401 Arch Street
Philadelphia 5, Pa.

, 1952.

TO THE HOLDERS OF THE CAPITAL STOCK
OF THE UNITED GAS IMPROVEMENT COMPANY:

Under date of February 8, 1952, we notified you that The United Gas Improvement Company (U.G.I.) had filed on December 19, 1951, with the Securities and Exchange Commission (S.E.C.) an Application for the approval of the Comprehensive Plan (Plan) dated December 18, 1951, of U.G.I., providing, among other things, for the reorganization of the U.G.I. System pursuant to Section 11(e) of the Public Utility Holding Company Act of 1935 (Act), and that the S.E.C. had called a public hearing to be held in its offices on February 27, 1952, on this matter. Your attention was directed to S.E.C.'s Notice of Filing and Order for Hearing dated January 22, 1952, containing a summary of the Plan and other information concerning the hearing, set forth on the pages following the notice. Public hearings were held by S.E.C. on February 27 and 28, 1952.

We now wish to inform you that the Plan, as amended, was approved by S.E.C. by its Order entered on , 1952, in accordance with the Findings and Opinion adopted by S.E.C. on the same date. The Findings, Opinion and Order of S.E.C. are printed in full on pages to of this booklet.

In accordance with U.G.I.'s request, S.E.C. has applied to the District Court of the United States for the Eastern District of Pennsylvania, pursuant to the provisions of Sections 11(e) and 18(f) of the Act, to enforce and carry out the terms and provisions of Part 2 of such Plan, as amended. The United States District Court has ordered a hearing to be held before it in Philadelphia, Pa., on , 1952, in connection with S.E.C.'s application for enforcement of such Part 2. The formal notice of hearing prescribed by the Court's order is printed on page of this booklet.

As we informed you earlier, the purpose of the Plan is to achieve greater efficiency and economy in the operation of U.G.I. and its system companies, to effect a tax saving, to enable the stockholders of U.G.I. to hold directly their investment in its subsidiary companies, to complete compliance by U.G.I. and its system companies with the provisions of Section 11 of the Holding Company Act and for U.G.I. to cease to be a holding company.

The approved Plan is divided into four parts and provides in substance for (1) the conversion of U.G.I. into a Pennsylvania public utility company; (2) the merger into U.G.I. of all of its public utility subsidiaries and for the dissolution of its non-utility subsidiaries, U.G.I. to remain the surviving and continuing corporation and to conduct as one public utility operating company the operations now conducted by U.G.I. and its various subsidiaries in Pennsylvania; (3) the disposal by U.G.I. of its securities in non-subsidiary companies, as required by S.E.C. (except Note of Delaware Coach Company), within one year from the date of the merger referred to above; and (4) the obtaining of an order under the Public Utility Holding Company Act of 1935 that U.G.I. has ceased to be a holding company and that its registration under the Act will cease to be in effect.

Part 1 of this Plan has been consummated and U.G.I. presently is a Pennsylvania public utility company. U.G.I. now proposes to take all requisite action to complete that part of Part 2 of this Plan which contemplates the merger into U.G.I. of all of its public utility subsidiaries, U.G.I. to survive and continue and to conduct as a public utility operating company the operations now conducted by U.G.I. and its various utility subsidiaries.

The Agreement of Merger, under which its public utility subsidiaries would be merged into U.G.I. is printed in full on pages to of this booklet. The Merger Agreement describes the companies being merged, the capitalization of the merging and merged companies, sets forth the rights and preferences of the new U.G.I. Preferred Stock (in Appendix A to Merger Agreement), provides for the treatment to be accorded the outstanding securities of U.G.I. and subsidiary companies on the merger, provides that upon the merger becoming effective, the outstanding securities affected thereby shall represent no rights other than the rights accrued to them under the Merger Agreement, and all other rights of such holders with respect to their securities shall thereupon cease and become void, and covers many other matters, and your attention is directed to this Agreement for the detailed provisions thereof.

Upon consummation of the merger, U.G.I. will have issued and outstanding $15,648,000 principal amount of First Mortgage Bonds (composed of seven series ranging in interest rates from 2-5/8% to 3.348%), notes payable to banks in the amount of $3,500,000, and will have an authorized capital stock of 2,464,759 shares, consisting of 50,000 shares of Preferred Stock of the par value of $100 per share, including a series to be presently outstanding of 25,000 shares of 4-1/4% Preferred Stock, and 2,414,759 shares of Common Stock of the par value of $13.50 per share, of which 1,344,202 (excluding 9,219 shares held by U.G.I.) shares will be issued and outstanding.

With respect to your U.G.I. stock, the agreement provides that stockholders of U.G.I. shall continue to be such stockholders and enjoy all their rights and privileges as such without surrendering their present certificates of U.G.I. Capital Stock, provided, however, stockholders may, after the Merger Agreement becomes effective, surrender their present certificates and receive in exchange therefor certificates representing a like number of shares of new Common Stock of U.G.I.

While no special ruling on the question has been obtained from the Federal Bureau of Internal Revenue, U.G.I. is advised by its counsel that in their opinion neither gain nor loss will be recognized for Federal income tax purposes by reason of the exchange of securities provided for in the Merger Agreement.

The Board of Directors of U.G.I. has called a special meeting of its stockholders to be held on , 1952, at 12 o'clock Noon in the Auditorium of The Insurance Company of North America Building, 1600 Arch Street, Philadelphia, Pa., for the purpose of considering and acting upon this Merger Agreement. On page of this booklet is printed the formal notice of this special meeting, and a form of proxy for use in connection with this meeting is enclosed.

The Board of Directors of U.G.I., believing the Plan (including the proposed merger) to be necessary and appropriate to effectuate the provisions of Section 11(b) of the Public Utility Holding Company Act of 1935 and to be fair and equitable to the security holders affected thereby, approved the Plan and directed its filing with S.E.C., as you were previously advised. The Board at a meeting on , 1952, approved the Merger Agreement and the directors have duly executed it on behalf of U.G.I. The Boards of Directors of the subsidiary companies have approved the Merger Agreement and each of these Boards of Directors has executed it on behalf of their respective companies.

The S.E.C. has approved the Plan (including the proposed Merger Agreement), as stated above, after finding it is necessary and appropriate to effectuate the provisions of the Act and that it is fair and equitable to all security holders affected thereby.

The Pennsylvania Public Utility Commission, after public hearing, by its Order dated June 16, 1952, approved the proposed merger. The Federal Power Commission by its Order dated , 1952, gave such approval as was required of it.

There is printed on pages to of this booklet a Report of S.E.C. to you, pursuant to Section 11(g) of the Act, which should be carefully read and considered by you.

For the reasons set forth above, the Directors and Management of U.G.I. recommend that you vote in favor of the merger.

<u>Under the law of Pennsylvania, the favorable vote of the holders of not less than a majority of the outstanding shares of the stock of U.G.I. is required to the merger and therefore you are urged, in the event that you do not expect to attend the meeting in person, to sign, date and mail promptly the accompanying Proxy in the enclosed return envelope, for which no postage is necessary if mailed in the United States</u>.

As indicated above, the hearing by the District Court of the United States will take place on , 1952, after the special meeting of the stockholders of U.G.I. has been held. Subject to the favorable vote of not less than a majority of the outstanding shares of the stock of U.G.I. to the merger and the receipt of an appropriate order from the District Court of the United States enforcing Part 2 of the Plan, U.G.I. intends that the merger will become effective at the close of business on December 31, 1952.

We shall be glad to answer any questions which you may care to ask in regard to the proposed merger.

By order of the Board of Directors.

THE UNITED GAS IMPROVEMENT COMPANY,

By W. E. Long,
President.

THE UNITED GAS IMPROVEMENT COMPANY

Notice of Special Meeting of Stockholders
to be held 1952

To the Stockholders of
The United Gas Improvement Company:

Notice is hereby given that a special meeting of the stockholders of The United Gas Improvement Company will be held in the Auditorium of The Insurance Company of North America Building, 1600 Arch Street, Philadelphia, Pa., on , 1952, at 12 o'clock noon, Eastern Standard Time, for the purpose of considering and acting upon the adoption or rejection of the agreement dated as of December 31, 1952, for the merger of Allentown-Bethlehem Gas Company, Consumers Gas Company, The Harrisburg Gas Company, Lancaster County Gas Company, Lebanon Valley Gas Company, Luzerne County Gas and Electric Corporation, and The Philadelphia Gas Works Company with and into The United Gas Improvement Company as the surviving corporation, a copy of which merger agreement accompanies this notice and is hereby incorporated herein by reference thereto; and for the purpose of considering and taking such further action in connection with, or for the purpose of effectuating the foregoing matter, as may be deemed advisable and to transact any and all other business that may properly come before the meeting.

The Board of Directors has fixed , 1952, as the record date for the determination of the stockholders entitled to vote at this meeting.

By order of the Board of Directors.

JOHNS HOPKINS, Secretary.

Philadelphia, Pa., , 1952.

Proxy Solicited by the Management

The undersigned stockholder of THE UNITED GAS IMPROVEMENT COMPANY hereby appoints Wm. W. Bodine, Walter E. Long and T. Leaming Smith, or any one of them, with full power of substitution, as proxy of the undersigned, to attend the Special Meeting of the Stockholders of the Company to be held on , 1952, at 12:00 o'clock Noon, Eastern Standard Time, and any adjournment thereof, and there in the name and behalf of the undersigned to vote upon the following:

1. ( ) In favor of the adoption (as requested by the management) or ( ) rejection of the agreement dated as of December 31, 1952, for the merger of Allentown-Bethlehem Gas Company, Consumers Gas Company, The Harrisburg Gas Company, Lancaster County Gas Company, Lebanon Valley Gas Company, Luzerne County Gas and Electric Corporation, and The Philadelphia Gas Works Company with and into The United Gas Improvement Company as the surviving corporation.

   The shares represented hereby will be voted in favor of the adoption of the said agreement dated as of December 31, 1952, unless otherwise specified.

2. Such other business as may properly be brought before said meeting or any adjournment thereof.

The undersigned hereby acknowledges receipt of a booklet containing copies of a letter dated , 1952 and the material referred to therein, including the merger agreement hereinabove mentioned.

Dated , 1952.

______________________________(SEAL)
(Signature of Stockholder)

PLEASE NOTE: This Proxy should be dated, signed and mailed promptly. When signing as attorney, executor, administrator, trustee or guardian, please give full title as such. If the stock is registered in more than one name, each joint owner should sign. If the signer is a corporation, sign in full corporate name by duly authorized officer and attach the corporate seal.

The United Gas Improvement Company

1401 ARCH STREET
PHILADELPHIA 5, PA.

Booklet

Relating to Comprehensive Plan, as Amended,

Filed with the Securities and Exchange Commission

Pursuant to Section 11(e)

of the Public Utility Holding Company Act of 1935

Dated: October 6, 1952

CONTENTS

THE UNITED GAS IMPROVEMENT COMPANY

1401 Arch Street

Philadelphia 5, Pa.

October 6, 1952.

To the Holders of the Capital Stock
of The United Gas Improvement Company:

Under date of February 8, 1952, we notified you that The United Gas Improvement Company (U.G.I.) had filed on December 19, 1951, with the Securities and Exchange Commission (S.E.C.) an Application for the approval of the Comprehensive Plan (Plan) dated December 18, 1951, of U.G.I., providing, among other things, for the reorganization of the U.G.I. System pursuant to Section 11(e) of the Public Utility Holding Company Act of 1935 (Act), and that the S.E.C. had called a public hearing to be held in its offices on February 27, 1952, on this matter. Your attention was directed to S.E.C.'s Notice of Filing and Order for Hearing dated January 22, 1952, containing a summary of the Plan and other information concerning the hearing, set forth on the pages following the notice. Public hearings were held by S.E.C. on February 27 and 28, 1952.

We now wish to inform you that the Plan, as amended, was approved by S.E.C. by its Order entered on September 18, 1952, in accordance with the Findings and Opinion of the S.E.C. with respect to the Plan under Section 11(e) of the Act, and Report of the Commission on such Plan pursuant to Section 11(g) of the Act. The Findings, Opinion, Report and Order of S.E.C. are contained in this booklet. They should be carefully read and considered by you.

In accordance with U.G.I.'s request, S.E.C. has applied to the District Court of the United States for the Eastern District of Pennsylvania, pursuant to the provisions of Sections 11(e) and 18(f) of the Act, to enforce and carry out the terms and provisions of Part 2 of such Plan, as amended. The United States District Court has ordered a hearing to be held before it in Philadelphia, Pa., on November 12, 1952, in connection with S.E.C.'s application for enforcement of such Part 2. The formal notice of hearing prescribed by the Court's order is contained in this booklet.

As we informed you earlier, the purpose of the Plan is to achieve greater efficiency and economy in the operation of U.G.I. and its system companies, to effect a tax saving, to enable the stockholders of U.G.I. to hold directly their investment in its subsidiary companies, to complete compliance by U.G.I. and its system companies with the provisions of Section 11 of the Holding Company Act and for U.G.I. to cease to be a holding company.

The approved Plan is divided into four parts and provides in substance for (1) the conversion of U.G.I. into a Pennsylvania public utility company; (2) the merger into U.G.I. of all of its public utility subsidiaries and for the dissolution of its non-utility subsidiaries, U.G.I. to remain the surviving and continuing corporation and to conduct as one public utility operating company the operations now conducted by U.G.I. and its various subsidiaries in Pennsylvania; (3) the disposal by U.G.I. of its securities in non-subsidiary companies, as required by S.E.C. (except Note of Delaware Coach Company), on or before June 15, 1953; and (4) the obtaining of an order under the Public Utility Holding Company Act of 1935 that U.G.I. has ceased to be a holding company and that its registration under the Act will cease to be in effect.

Part 1 of this Plan has been consummated and U.G.I. presently is a Pennsylvania public utility company. U.G.I., now proposes to take all requisite action to complete that part of Part 2 of this Plan which contemplates the merger into U.G.I. of all of its public utility subsidiaries, U.G.I. to survive and continue and to conduct as a public utility operating company the operations now conducted by U.G.I. and its various utility subsidiaries.

The Agreement of Merger, under which its public utility subsidiaries would be merged into U.G.I., is contained in this booklet. The Merger Agreement describes the companies being merged, the capitalization of the merging and merged companies, sets forth the rights and preferences of the new U.G.I. Preferred Stock (in Appendix A to Merger Agreement), provides for the treatment to be accorded the outstanding stocks of U.G.I. and subsidiary companies on the merger, provides that upon the merger becoming effective, the outstanding securities affected thereby shall represent no rights other than the rights accrued to them under the Merger Agreement, and all other rights of such holders with respect to their securities shall thereupon cease and become void, and covers many other matters, and your attention is directed to this Agreement for the detailed provisions thereof.

Upon consummation of the merger, U.G.I. will have issued and outstanding \$15,648,000 principal amount of First Mortgage Bonds (composed of seven series ranging in interest rates from 2⅝% to 3.348%), notes payable to banks in the amount of \$3,500,000, and will have an authorized capital stock of 2,464,759 shares, consisting of 50,000 shares of Preferred Stock of the par value of \$100 per share, including a series to be presently outstanding of 25,000 shares of 4¼% Preferred Stock, and 2,414,759 shares of Common Stock of the par value of \$13.50 per share, of which 1,344,202 shares (excluding 9,219 shares held by U.G.I.) will be issued and outstanding.

With respect to your U.G.I. stock, the agreement provides that stockholders of U.G.I. shall continue to be such stockholders and enjoy all their rights and privileges as such without surrendering their present certificates of U.G.I. Capital Stock, provided, however, stockholders may, after the Merger Agreement becomes effective, surrender their present certificates and receive in exchange therefor certificates representing a like number of shares of new Common Stock of U.G.I.

While no special ruling on the question has been obtained from the Federal Bureau of Internal Revenue, U.G.I. is advised by its counsel that in their opinion neither gain nor loss will be recognized for Federal income tax purposes by reason of the exchange of securities provided for in the Merger Agreement.

The Board of Directors of U.G.I. has called a special meeting of its stockholders to be held on November 10, 1952, at 12 o'clock Noon, in the Auditorium of the Insurance Company of North America Building, 1600 Arch Street, Philadelphia, Pa., for the purpose of considering and acting upon this Merger Agreement. This booklet contains formal notice of this special meeting, and a form of proxy for use in connection with this meeting is enclosed.

The Board of Directors of U.G.I., believing the Plan (including the proposed merger) to be necessary and appropriate to effectuate the provisions of Section 11(b) of the Public Utility Holding Company Act of 1935 and to be fair and equitable to the security holders affected thereby, approved the Plan and directed its filing with S.E.C., as you were previously advised. The Board at a meeting on September 23, 1952, approved the Merger Agreement and the directors have duly executed it on behalf of U.G.I. The Boards of Directors of the subsidiary companies have approved the Merger Agreement and each of these Boards of Directors has executed it on behalf of their respective companies.

The S.E.C. has approved the Plan (including the proposed Merger Agreement), as stated above, after finding it is necessary and appropriate to effectuate the provisions of the Act and that it is fair and equitable to all security holders affected thereby.

The Pennsylvania Public Utility Commission, after public hearing, by its Order dated June 16, 1952, approved the proposed merger. The Federal Power Commission by its Order issued September 4, 1952, gave such approval as was required of it.

For the reasons set forth above, the Directors and Management of U.G.I. recommend that you vote in favor of the merger.

Under the law of Pennsylvania, the favorable vote of the holders of not less than a majority of the outstanding shares of the stock of U.G.I. is required on the merger and therefore you are urged, in the event that you do not expect to attend the meeting in person, to sign, date and mail promptly the accompanying Proxy in the enclosed return envelope, for which no postage is necessary if mailed in the United States.

As indicated above, the hearing by the District Court of the United States will take place on November 12, 1952, after the special meeting of the stockholders of U.G.I. has been held. Subject to the favorable vote of not less than a majority of the outstanding shares of the stock of U.G.I. on the merger and the receipt of an appropriate order from the District Court of the United States enforcing Part 2 of the Plan, U.G.I. intends that the merger will become effective at the close of business on December 31, 1952.

We shall be glad to answer any questions which you may care to ask in regard to the proposed merger.

By order of the Board of Directors.

THE UNITED GAS IMPROVEMENT COMPANY,

By

WALTER E. LONG,
President.

THE UNITED GAS IMPROVEMENT COMPANY

Notice of Special Meeting of Stockholders to be held November 10, 1952

To the Stockholders of
The United Gas Improvement Company:

Notice is hereby given that a special meeting of the stockholders of The United Gas Improvement Company will be held in the Auditorium of the Insurance Company of North America Building, 1600 Arch Street, Philadelphia, Pa., on November 10, 1952, at 12 o'clock noon, Eastern Standard Time, for the purpose of considering and acting upon the adoption or rejection of the agreement dated as of December 31, 1952, for the merger of Allentown-Bethlehem Gas Company, Consumers Gas Company, The Harrisburg Gas Company, Lancaster County Gas Company, Lebanon Valley Gas Company, Luzerne County Gas and Electric Corporation and The Philadelphia Gas Works Company with and into The United Gas Improvement Company as the surviving corporation, a copy of which merger agreement accompanies this notice and is hereby incorporated herein by reference thereto; and for the purpose of considering and taking such further action in connection with, or for the purpose of effectuating the foregoing matter, as may be deemed advisable and to transact any and all other business that may properly come before the meeting.

The Board of Directors has fixed October 6, 1952 as the record date for the determination of the stockholders entitled to vote at this meeting.

By order of the Board of Directors.

Johns Hopkins,
Secretary.

Philadelphia, Pa., October 6, 1952.

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C.

September 18, 1952

In the Matter of THE UNITED GAS IMPROVEMENT COMPANY (File No. 54-201) and THE UNITED GAS IMPROVEMENT COMPANY AND SUBSIDIARY COMPANIES, Respondents (File No. 59-6) (Public Utility Holding Company Act of 1935)	FINDINGS AND OPINION OF THE COMMISSION WITH REFERENCE TO SECTION 11(e) PLAN AND REPORT OF THE COMMISSION PURSUANT TO SECTION 11(g)

SIMPLIFICATION OF HOLDING COMPANY SYSTEM

Plan under Section 11(e)—Necessity

Plan filed by registered holding company pursuant to Section 11(e) of the Public Utility Holding Company Act, under which holding company and all of its subsidiaries would be merged into a single company, and pursuant to which new company would continue to control certain electric utility properties together with gas utility properties, all of which operations were located in a single state, held necessary to effectuate the provisions of Section 11(b) of the Act.

Plan under Section 11(e)—Stockholders Vote and Appraisal Rights

Provision of plan filed by registered holding company pursuant to Section 11(e) of the Public Utility Holding Company Act, contemplating vote of stockholders prior to consummating plan, held, not inconsistent with provisions of Section 11(b) of the Act, and provision in plan eliminating any appraisal rights otherwise provided by state statute held necessary and appropriate to effectuate the provisions of Section 11(b) of the Act.

Plan under Section 11(e)—Fairness

Plan filed by registered holding company pursuant to Section 11(e) of the Public Utility Holding Company Act, under which certain public holders of common stock of two subsidiaries were required to exchange such securities, receiving therefor common stock of the new merged company, and under which certain preferred stock was being retired and other preferred stock and bonds were exchanged for substantially equivalent securities, held, under all the circumstances, to be fair and equitable to the persons affected by such plan.

APPEARANCES:

Kenneth B. Anderson and *Garfield Scott*, and *Morgan, Lewis & Bockius* by *Thomas B. K. Ringe*, for The United Gas Improvement Company.

Percival E. Jackson and *Theodore N. Tarlau*, for Common Stockholders Committee of The United Gas Improvement Company.

Paul S. Davis, for the Division of Public Utilities of the Commission.

The United Gas Improvement Company ("UGI"), a registered holding company, has filed an application for approval of a plan under Section 11(e) of the Public Utility Holding Company Act of 1935 ("Act"). The plan provides, generally speaking, for the merger of UGI with all of its operating utility subsidiaries and the exchange of UGI securities for all publicly-held securities of UGI's subsidiaries. Upon the filing of the plan (File No. 54-201), we consolidated the matter with our pending proceedings concerning UGI and its subsidiaries under Section 11(b)(1) of the Act (File No. 59-6). Pursuant to public notice a hearing was held and evidence received concerning the plan.(1) Requested findings of fact, briefs and oral argument were waived by all parties and participants, and the matter is now before us for disposition.

THE UGI SYSTEM

UGI, a Pennsylvania corporation and a registered holding company, is one of the oldest holding company systems in the United States. At the time of its registration under the Act in 1938 it controlled approximately thirty-nine public utility subsidiaries which operated electric facilities in eleven states and gas facilities in five states. In addition, it had approximately forty-one non-utility subsidiaries and had investments in numerous other companies. At the time of its registration, UGI had total consolidated assets of approximately $828,000,000.

Since its registration, UGI has, through numerous divestments and plans filed under Section 11(e), reduced its system until at the present time it has only nine subsidiaries and has total consolidated assets of approximately $77,000,000. Six of these subsidiaries are gas utility companies, one an electric and gas utility company and two are non-utility companies. These subsidiaries are all incorporated in Pennsylvania and conduct their operations entirely within that State. The names of the UGI subsidiaries, the percentage of common stock owned by UGI in the separate companies, and the types of business are as follows:

	Percentage of Common Stock Owned by UGI	Type of Business
Allentown-Bethlehem Gas Company	100.00%	Gas Utility
Consumers Gas Company (Reading, Pa.)	63.42%	Gas Utility
Harrisburg Gas Company, The	70.54%	Gas Utility
Lancaster County Gas Company	100.00%	Gas Utility
Lebanon Valley Gas Company	100.00%	Gas Utility
Luzerne County Gas and Electric Corporation	100.00%	Electric and Gas Utility
Philadelphia Gas Works Company, The*	100.00%	Gas Utility
Ugite Sales Corporation	100.00%	Inactive
Utilities Realty Company, The	100.00%	Real estate

* Pursuant to an agreement between the City of Philadelphia and The Philadelphia Gas Works Company, the latter manages and operates the municipally-owned gas works in the City of Philadelphia.

It will be noted that UGI owns all of the common stock of all of its subsidiaries except for Consumers Gas Company and The Harrisburg Gas Company. Consumers Gas Company has outstanding 220,872 shares of common stock, having a par value of $25 per share. Of these shares, 140,085 shares are owned by UGI and the balance by 491 different stockholders. The Harrisburg Gas Company has outstanding 41,433 shares of common stock, of which 29,225 shares are owned by UGI and the remaining shares are owned by 74 different stockholders.

UGI has outstanding 1,230,740 shares of common stock having a par value of $13.50 per share. The Company does not have outstanding any funded debt or preferred stock. Three of its subsidiaries now have outstanding first mortgage bonds aggregating $15,758,000, in the following respective amounts and series:

(1) At the hearing there appeared as an observer an associate of a member of a common stockholder's committee. This committee has indicated that it favors the plan in major respects. No other stockholders or their representatives appeared at the hearing.

Company	Principal Amount	Series
Allentown-Bethlehem Gas Company	$2,219,000	3¾% (now 3%) Series due 1965
Allentown-Bethlehem Gas Company	1,470,000	3¼% Series due 1968
Allentown-Bethlehem Gas Company	1,500,000	3.348% Series due 1976
The Harrisburg Gas Company	2,035,000	2⅝% Series due 1971
The Harrisburg Gas Company	985,000	3⅛% Series due 1971
The Harrisburg Gas Company	1,000,000	3.15% Series due 1976
Luzerne County Gas and Electric Corporation	6,549,000	3¼% Series due 1966

The Luzerne County Gas and Electric Corporation has outstanding 25,000 shares of 4¼% preferred stock, par value $100 per share. The Harrisburg Gas Company has outstanding 4,838 shares of 4½% preferred stock, par value $100 per share.

The operations of UGI and its subsidiaries are confined to the eastern part of the State of Pennsylvania. With the exception of the electric properties owned by Luzerne County Gas and Electric Corporation all of its utility operations are gas. The various subsidiaries serve communities having an aggregate population of 1,035,220 (exclusive of the City of Philadelphia in which UGI's subsidiary, Philadelphia Gas Works Company, operates the municipally-owned gas works under contract with the City). The companies serve 210,294 customers with gas (again exclusive of Philadelphia) and 44,270 customers with electricity. For the year ended December 31, 1951 total consolidated revenues aggregated $18,903,871, of which gas revenues were $12,828,442, electric revenues $4,809,707, and revenues from other sources $1,265,721. These figures as well as all other consolidated figures hereafter referred to do not include the operations of the Philadelphia Gas Works properties. Financial statements are contained in the appendices.

In addition to its interests in its subsidiary companies, UGI owns substantial minority interests in certain companies which are not subsidiaries. These companies, together with the type of securities, number of shares or principal amount of each, and the percentage of voting power represented by securities held by UGI, are as follows:

Name of Company	Security	Shares or Amount	% of Voting Power
Central Illinois Light Company	Common Stock	35,340 shs.	3.493
Consumers Power Company	Common Stock	63,612 shs.	0.918
Delaware Power & Light Company	Common Stock	37,355 shs.	2.295
Niagara Mohawk Power Corporation	Common Stock	159,500 shs.	1.529
Philadelphia Electric Company	Common Stock	16,543 shs.	0.143
Public Service Electric and Gas Company	Preference Common	36,801 shs.	0.357
Public Service Electric and Gas Company	Common Stock	4,861 shs.	
Delaware Coach Company	Note	$916,666.67	—

By our Order entered June 15, 1951, UGI was directed, pursuant to Section 11(b)(1) of the Act, to dispose of its holdings in these securities within one year from the date of that Order.[2]

PROVISIONS OF THE PLAN

The Plan is divided into four parts which, in substance, provide respectively for:

(1) The conversion of UGI into a Pennsylvania public utility company;

[2] Holding Company Act Release No. 10624.

(2) The merger into UGI of all its public utility subsidiaries and the dissolution of UGI's non-utility subsidiaries, with UGI remaining as the surviving and continuing corporation conducting as one public utility operating company the utility operations now conducted by UGI's various subsidiaries in Pennsylvania, such merger being accomplished by exchanges of securities so that the security holders of UGI and its subsidiaries will become the owners of securities of the surviving UGI;

(3) The disposition by UGI of its securities in non-subsidiary companies (except Delaware Coach Company);

(4) The securing of an order pursuant to Section 5(d) of the Act declaring that UGI has ceased to be a holding company and that its registration under the Act shall cease to be in effect.

The various transactions covered by the Plan which are subject to the jurisdiction of the Pennsylvania Public Utility Commission have received the approval of that Commission.

The Plan may be described in more detail as follows:

Part 1—Conversion of UGI into a Public Utility Company

In order to make the merger of UGI and its public utility subsidiaries possible, UGI proposes to convert itself into a public utility company under the laws of Pennsylvania, and will thereby become subject to the provisions of the Pennsylvania General Corporation Law of 1874 as amended and to the jurisdiction of the Pennsylvania Public Utility Commission. For that purpose, UGI proposes to resume the operations of the Northern Liberties Gas Company properties which are presently being operated by The Philadelphia Gas Works Company under an agreement dated May 14, 1937, pursuant to which The Philadelphia Gas Works Company was substituted for UGI as agent to operate such properties. The 1937 agreement will be terminated thereby restoring in effect an agreement dated July 2, 1900 between UGI and Northern Liberties Gas Company, under which UGI operated the gas properties of Northern Liberties Gas Company. The Plan states that the consummation of this step would thereupon qualify UGI and its public utility subsidiaries to merge under the Pennsylvania Merger and Consolidation Act of 1909, as amended.

Part 2—The Merger

Upon consummation of Part 1, UGI and each of its public-utility subsidiaries propose to merge, subject to appropriate corporate proceedings under the Pennsylvania Merger and Consolidation Act of 1909, as amended, including the affirmative vote of the holders of at least a majority of the outstanding shares of the Capital Stock of UGI. UGI proposes to vote its holdings in each of its subsidiary companies in favor of such merger. Under the terms of the merger, all assets and franchises of the constituent companies will vest in the continuing UGI Company, and the liabilities of each of the constituent companies will become liabilities of UGI, except that intercompany indebtedness between UGI and its subsidiaries will be eliminated.

UGI will have an authorized Capital Stock of 2,464,759 shares, consisting of 50,000 shares of Preferred Stock, par value $100 per share, and 2,414,759 shares of Common Stock, par value $13.50 per share. Upon consummation of the merger, UGI will have outstanding 25,000 shares of 4¼% cumulative Preferred Stock, par value $100, and 1,344,202 shares of Common Stock (excluding 9,219 shares held by the Company). The Preferred Stock will have a liquidation or dissolution preference of $100 per share plus accrued or unpaid dividends, and will be redeemable at the option of the Company at $110 per share plus accrued and unpaid dividends.

UGI proposes to issue seven series of new First Mortgage Bonds. Each of the respective series will have the same interest rates, interest payment dates, maturity dates, redemption prices, sinking fund and tax provisions as the various series of subsidiary bonds set forth above. The proposed form of the new First Mortgage Indenture contains provisions complying with the Trust Indenture Act of 1939 and other provisions which this Commission has heretofore found appropriate. Under the terms of the Plan, the holders of the presently outstanding First Mortgage Bonds of the subsidiaries are required to surrender them for cancellation when the merger becomes effective, in return for which such holders will receive in exchange new UGI First Mortgage Bonds of the corresponding series in like principal amounts. The new bonds will be dated as of the effective date of the merger, and interest will be paid on the old bonds up to that date. The various indentures of mortgage and supplements thereto securing the presently outstanding bonds of the subsidiaries will be cancelled and discharged as of the effective date of the merger.

Under the terms of the Plan, the 4½% Preferred Stock of The Harrisburg Gas Company will be redeemed, on or about the effective date of the merger, at the redemption price of $110 per share plus accrued and unpaid dividends thereon. The holders of the 4¼% Preferred Stock of Luzerne County Gas and Electric Corporation shall be required to surrender their shares for cancellation when the merger becomes effective, and shall receive in exchange new UGI 4¼% Preferred Stock on the basis of one share of such new 4¼% Preferred Stock for each share of presently outstanding Luzerne County Gas and Electric Corporation 4¼% Preferred Stock. Holders of Luzerne County Gas and Electric Corporation Preferred Stock will receive cash representing any accrued and unpaid dividends up to the effective date of the merger, and the dividends on the new UGI Preferred Stock will commence to accrue on that date.

Holders of presently outstanding UGI Capital Stock will receive in exchange for such shares new certificates representing a like number of shares of new Common Stock of UGI.

All shares which UGI owns of its utility subsidiary companies will be cancelled, and no securities of UGI issued in place thereof.

Common stockholders of Consumers Gas Company, other than UGI, will receive, in exchange for each share of Capital Stock of Consumers Gas Company, 8/10 of a share of new UGI Common Stock. Common stockholders of The Harrisburg Gas Company, other than UGI, will receive, in exchange for each share of Common Stock of The Harrisburg Gas Company, four shares of new UGI Common Stock.

In lieu of distribution of fractional shares of new UGI Common Stock, holders otherwise entitled thereto will receive a cash equivalent computed on the basis of the average of the daily closing prices of UGI Common Stock (or the bid price, if no sales are made) on the New York Stock Exchange for the period of one calendar week immediately following the effective date of the merger.

Upon the effective date of the merger, all rights of the holders of the present securities of UGI and its subsidiaries, other than the right to receive new securities as provided in the Plan, will cease. Five years after the effective date of the merger, any stock, bonds or cash not exchanged as provided for in the Plan, other than the new UGI Common Stock held for exchange for outstanding UGI Capital Stock, will become the property of UGI. UGI may, in its discretion, appoint an agent or agents in connection with the distribution of new securities.

Ugite Sales Corporation and The Utilities Realty Company will be dissolved under the respective provisions of the Delaware and Pennsylvania Corporation Laws, and the property and assets of such companies will be transferred to UGI and any liabilities assumed by UGI, except that intercompany indebtedness between such companies and UGI will be eliminated.

Part 3—Disposition of Non-Subsidiary Securities

UGI proposes, in accordance with the Commission's Order dated June 15, 1951, to dispose of its direct and indirect ownership, control and holdings of securities issued by Central Illinois Light Company, Consumers Power Company, Delaware Power & Light Company, Niagara Mohawk Power Corporation, Philadelphia Electric Company, and Public Service Electric and Gas Company. UGI proposes to dispose of these securities within one year from the effective date of such merger, and proposes to follow the procedure provided by Rule U-44(c) of the Rules and Regulations under the Act.

UGI represents that the Note of Delaware Coach Company, now outstanding in the amount of $916,666.67, is a self-liquidating security not readily disposable except at a financial sacrifice on the part of UGI, and states that this security was acquired by UGI in a transaction for the purpose of complying with the provisions of Section 11 of the Act. UGI, therefore, proposes that the Commission amend its Order of June 15, 1951, to permit retention by UGI of this Note, subject to the liquidation thereof over a period of years in accordance with the terms of the Note.

Part 4—Section 5(d) Order

Upon the completion of the transactions proposed in Parts 1 to 3 of the Plan, UGI will have become a public utility operating company, incorporated under the laws of Pennsylvania and doing business solely within that State, and subject to the jurisdiction of the Pennsylvania Public Utility Commission. At such time, UGI will not have any subsidiaries.

UGI proposes that it receive at that time an order from the Commission under Section 5(d) of the Act, declaring that it has ceased to be a holding company and that its registration under the Act has ceased to be in effect.

Other Provisions

The Plan provides that UGI will pay such fees, expenses and remuneration in connection with the Plan and any amendments thereto as the Commission shall duly approve, determine, award, allow or allocate.

The consummation of the Plan is subject to certain conditions and reservations as set forth therein, including the requirement that the Commission find the Plan fair and equitable to the persons affected thereby and necessary to effectuate the provisions of Section 11(b) of the Act, and that the Commission enter an order containing findings and recitations conforming to the pertinent provisions of the Internal Revenue Code, as amended, including Supplement R and Section 1808(f) thereof. The Plan also contains the condition that the Commission apply to a Court, in accordance with the provisions of Section 18(f) of the Act, to enforce and carry out the terms and provisions of Part 2 of the Plan, and that the Court, after notice and opportunity for hearing, shall have entered a decree approving and enforcing Part 2 of the Plan, and that such decree or order is no longer subject to judicial review.

STATUTORY STANDARDS

Before the Commission can approve a plan under Section 11(e), we must find the plan "necessary to effectuate the provisions of" Section 11(b) and "fair and equitable to the persons affected by such plan". The transactions involved must meet all of the applicable standards of the Act. Among the problems which must be considered in connection with the necessity standard under Section 11(e) are the acquisition and retention by UGI of the electric properties now owned by Luzerne County Gas and Electric Corporation as part of the same system with the gas properties, and whether the provision in the Plan for a stockholders' vote is consistent with the standards of the Act. In addition the Plan presents questions as to whether the Commission should modify its outstanding Section 11(b)(1) order to permit the retention and liquidation by UGI of the Note of Delaware Coach Company, whether certain proposed accounting entries are appropriate, and whether, assuming that the Plan may be approved in other respects and is consummated, an order should be entered under Section 5(d) declaring that UGI has ceased to be a holding company.

We shall now discuss the Plan under the necessity standards of the Act.

THE NECESSITY OF THE PLAN

As we have held on previous occasions, the action contemplated by the Plan under Section 11(e) need not be the only means of effectuating compliance with the requirements of Section 11(b). A plan under Section 11(e) may be approved if it is shown to be a suitable means of achieving the results required by the standards of Section 11(b).

At the present time UGI conducts its operations through its various subsidiaries, operating in different areas in eastern Pennsylvania. So far as the provisions of Section 11(b)(1) are concerned, there is no legal objection to a holding company conducting its operations through different subsidiaries, provided that the system as a whole meets the statutory standards. However, Section 11(b)(2) requires the elimination of unnecessary corporate complexities. As has been mentioned there are presently outstanding in the hands of the public minority interests in two of UGI's subsidiaries, Consumers Gas Company and The Harrisburg Gas Company. The existence of these minorities constitutes a corporate complexity in the UGI holding company system resulting in an inequitable distribution of voting power, which would be eliminated by the merger proposed in the Plan.(3) The management of UGI has also determined that the business and operations of its utility properties will be facilitated, and substantial economies effected, if UGI and its utility subsidiaries are merged into a single company. As has been indicated, UGI will, if the proposed merger is completed, become a single operating company confined in its operations entirely to the State of Pennsylvania. It will have a simple capital structure consisting of a limited amount of debt and preferred stock, and common stock. The common stock equity will be approximately 71.0%. Moreover, the merger will result in the elimination of an unnecessary holding company. Accordingly, it is clear that as a result of the merger the requirements of Section 11(b)(2) will be fully met, and the Plan meets the standards of Section 11(b)(2) of the Act.

There remains to consider the extent, if any, to which Section 11(b)(1) of the Act should be applied to the proposed Plan. As has been indicated, all of the utility operations of UGI are gas, with the exception of those conducted by Luzerne County Gas and Electric Corporation. This subsidiary operates both electric and gas facilities. Its electric operations are substantially larger than its gas operations; for the calendar year 1951 electric revenues were $4,809,707 and gas revenues $695,085. The electric revenues of Luzerne comprise 25.4% of all of the consolidated operating revenues of the UGI system. The gas revenues, on the other hand, are the smallest of any of the UGI subsidiaries, with the exception of those conducted by the Lebanon Valley Gas Company, of which the 1951 gas revenues were $485,556.

As has been stated, the UGI merger will result in the retention of electricity and gas under control of the same continuing operating company. Where a holding company system is to continue in existence and to be subject to our continuing jurisdiction under the Act, it is necessary that we apply the standards of Section 11(b)(1), and under the provisions of that Section, electricity and gas can be retained in the same system only if the standards for "additional" systems, contained in

(3) *Sioux City Gas and Electric Company, et al,*——S.E.C.——(1949), Holding Company Act Release No. 9303, approved and enforced N.D. Iowa, Civil 571 (1949). See also *Georgia Power and Light Company,*——S.E.C.——(1945), Holding Company Act Release No. 5568, approved and enforced N.D. Georgia, Civil action No. 133 (1945).

Clauses (A), (B) and (C) of Section 11(b)(1), can be met. However, where an operating company is to be divested from a holding company system and is no longer to be subject to our jurisdiction, we have not required separation of electricity and gas.

It may be noted that the intrastate character of UGI's operations is such that it might be permitted to apply for an exemption under Section 3(a)(1) as an intrastate holding company. It may also be mentioned that, if the Plan is approved and consummated, UGI will consist of a single operating company and there will remain no holding company system. Accordingly the effect of the merger will be to make it unnecessary to apply the literal standards of Section 11(b)(1) to the new merged company. In its impact on Section 11(b)(1), the situation will be comparable to the dissolution of Public Service Corporation of New Jersey, as to which the Commission said, in the Findings affecting that company:(4)

> "It will, by the same token, eliminate the necessity of any literal application of Section 11(b)(1), since no holding company will survive and there will be no occasion to decide what 'single' or 'additional' system or non-utility business can be retained".

In discussing the applicability of Section 11(b)(1), the Commission, in the same Opinion, after quoting that Section, elaborated its views as follows:

> "Unless there is a holding company system of which the subsidiaries are a part there is no occasion to impose the required limitations. That the limitations are intended to apply only to surviving holding company systems is made amply clear by the provisions 'that the Commission shall permit a <u>registered holding company to continue to control one or more additional integrated</u> public-utility systems' under certain conditions" (emphasis supplied).

The Commission, in the Public Service case, expressed the conclusion that the dissolution of Public Service rendered inapplicable the literal standards of Section 11(b)(1). We find that the same reasoning is equally applicable to UGI, and that accordingly it is not necessary to consider whether the electric operations of Luzerne could be retained as a system additional to the gas properties under the standards of Section 11(b)(1). Accordingly, we find that the Plan meets the standards of Section 11, and is "necessary" within the meaning of Section 11(e) of the Act. In reaching this conclusion we have also given consideration to the approval of the transactions by the State Commission; however, it is unnecessary for us to determine the exact effect of that approval.(5)

UGI proposes to submit the merger to its stockholders and to the stockholders of Consumers Gas Company and of The Harrisburg Gas Company. The statutes of Pennsylvania require that as a prerequisite to a merger there be obtained the affirmative vote of a majority of the outstanding stock. UGI proposes to vote its own holdings in Consumers and Harrisburg in favor of the merger, and will also vote its holdings of stock in all of the other subsidiaries. Since UGI owns a majority of the stock of Consumers and Harrisburg and all of the stock of the other subsidiaries, no problem is presented with respect to obtaining the requisite stockholders' votes of the subsidiary companies since such votes are assured by an express representation in the Plan.

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(4) Holding Company Act Release No. 8002 (February 17, 1948, page 21).

(5) Section 9(b) provides that approval of the Commission shall not be required, with respect to the acquisition by a public utility company of utility assets, where such acquisition has been expressly authorized by a state commission, or to the acquisition of securities of a subsidiary public utility company, where such company, the acquiring company, and all other public utility companies in the same holding company system, are organized in a single state, within which the business of such system is substantially confined, and where the acquisition has been expressly authorized by the state commission of that state.

A somewhat different question is presented with respect to the provision in the Plan contemplating a vote of the UGI stockholders. We have generally held that a plan under Section 11(e) should not be subject to the requirements of a stockholders' vote, where the effect of doing so would be to subject to a decision of the stockholders the question of compliance or noncompliance with the requirements of the Act.(6) UGI has represented that it wishes to obtain a stockholders' vote both to insure that the Plan meets with the approval of its stockholders and to avoid any procedural problems which may be presented under the statutes of Pennsylvania.

It is well settled that a plan which has been approved by this Commission and by a Federal Court under the terms of Section 11 will be binding on all persons affected and enforceable irrespective of the provisions of any state law which might apply in the absence of the Holding Company Act.(7) Since under the terms of the Plan, the approval of the stockholders may not be required it would appear questionable whether the vote is needed. Notwithstanding the provisions of Pennsylvania law, the operation of the Federal statute may well render the vote unnecessary. However, the Company is anxious to avoid any possible litigation or status of legal uncertainty, and the desirability of avoiding any such litigation may properly be recognized. Accordingly, we shall interpose no objection to these particular provisions of the Plan, or to any action the Company may take in requesting the stockholders to vote thereon. We observe, however, that the Plan may still be subject to enforcement irrespective of whether such a vote should be obtained. Furthermore, whether or not as a Section 11(e) plan it would in the absence of such vote be subject to such enforcement, the Company in any event is under an obligation to comply with Section 11. Accordingly, if a vote of stockholders should for any reason not be obtained, the Commission will take whatever action may be necessary, either to enforce the Plan irrespective of the failure to receive such vote, or to enforce the terms of the Act under the compulsory provisions of Section 11, in the light of all applicable standards.

Under the provisions of Pennsylvania law, when a merger of two or more Pennsylvania corporations is effectuated pursuant to a stockholders' vote, a stockholder who has voted against the merger has the right to obtain an appraisal of his shares pursuant to judicial proceedings for that purpose. The proposed Plan makes no reference to any such right of appraisal, and counsel for UGI have expressed the opinion that, if the Plan is approved by the Commission and the Federal Court, it would have the effect of nullifying any appraisal rights of dissenting stockholders. Since, as pointed out hereafter, we find that the proposed Plan is fair to all persons affected, we are of the view that any provision of State law which might have the effect of giving certain stockholders different treatment, under an appraisal procedure, would not be fair and equitable or consistent with the standards of the Act. Under the circumstances, we are of the view that, assuming the Plan is enforced by a Federal Court, stockholders have no right to an appraisal. As pointed out hereafter, since these Findings are to constitute a report to stockholders, to be given to them pursuant to the provisions of Section 11(g) prior to voting upon the Plan, we emphasize for the information of stockholders that in our judgment they will be entitled to no appraisal rights if the Plan is approved and ordered enforced by a Federal Court.

For the reasons indicated, we have concluded that the Plan may be approved notwithstanding the provision therein for a stockholders' vote; and we find the Plan to be necessary to effectuate the provisions of Section 11(b) of the Act, subject to a determination that the Plan is fair and equitable. Accordingly, we turn next to a consideration of the fairness of the Plan.

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(6) *The Commonwealth & Southern Corporation*, Holding Company Act Release Nos. 6177, 7377 and 8633 (1945, 1947 and 1948, respectively).

(7) *Kings County Lighting Company*,——S.E.C.——(1946), Holding Company Act Release No. 7060 enforced in 72 F. Supp. 767 (E.D.N.Y. 1947), aff'd *sub. nom.* Public Service Commission of New York *v.* S.E.C. 166 F. (2d) 784 (C.A. 2, 1948), cert. den. 334 U.S. 838 (1948). This case and similar cases are based on the supremacy of Federal law over any inconsistent requirements of a state law. See also *Phillips* v. *S.E.C.* 153 F (2d) 27 (C.A. 2, 1946), cert. den. 328 U.S. 860 (1946).

FAIRNESS OF THE PLAN

Before the Commission can approve a plan filed under Section 11(e), it must find such plan fair and equitable to the persons affected thereby. In applying the fairness standard, we have consistently held that the measure of the security holder's claim is the investment value of his interest, appraised as though in a going concern with primary weight accorded to earnings and dividends. The persons affected by the instant Plan are the bondholders of Allentown, Harrisburg and Luzerne, the preferred stockholders of Luzerne and Harrisburg and the common stockholders of UGI, Consumers and Harrisburg.

We now turn to a discussion of the treatment proposed to be accorded to the various classes of security holders.

Fairness As to Bondholders

As set forth above, three of UGI's subsidiaries now have outstanding First Mortgage Bonds aggregating $15,758,000 in principal amount. Interest rates on these bonds range from 2⅝% to 3.348%. The bonds are in seven different series.

Under the Plan, the merged UGI will issue, under a new indenture, the same principal amount of new bonds divided into seven series, each of the respective series having the same interest rate, interest payment dates, redemption provisions, and sinking fund provisions as the corresponding present series of subsidiary bonds. The mortgage indenture under which the new bonds will be issued contains provisions customarily required by us in connection with financing proposals and as protective of the bondholders as are the provisions of the present indentures.

At the present time, the outstanding bonds are liens on the physical properties of the respective individual subsidiary companies. For each of the three companies which has such bonds outstanding, the respective ratios of bonds to total capitalization as of December 31, 1951, and the earnings coverages for the bonds for the year 1951, are as follows:

Company	Amount of Bonds	Bond Ratio	Earnings Coverage
Allentown-Bethlehem Gas Company..............	$5,189,000	40.9%	4.1
The Harrisburg Gas Company...................	4,020,000	41.5%	4.1
Luzerne County Gas and Electric Corporation.....	6,549,000	40.8%	5.4

The remaining subsidiaries of UGI have no funded debt. The new bonds of UGI, to be issued in exchange for the presently outstanding subsidiary bonds, will constitute first liens on all of the physical property of the merged UGI. On a pro forma basis reflecting the merger, as of December 31, 1951, UGI's debt ratio will be 25.4% of which 22.6% represents mortgage bonds and 2.8% bank loans. Interest on the new bonds of UGI for the year 1951, would have been covered approximately seven times which is substantially better than the coverages of the presently outstanding bonds.

Under the new indenture UGI would be authorized to issue an additional $10,000,000 of bonds without the acquisition of any new property. Assuming that the full amount of such bonds were issued, the ratio of mortgage bonds to capitalization would be increased from 22% to approximately 32% which is lower than the similar ratio for any of the subsidiaries presently having bonds outstanding.(8) Under the circumstances, we conclude that the exchange is fair and equitable to the bondholders affected, and that the Plan may be approved as to this aspect.

(8) We have not attempted to determine precisely what the earnings coverage of the UGI bonds would be if the additional $10,000,000 of bonds were to be issued since the interest rate on such bonds and the income which the company would earn on such funds cannot be ascertained at this time. It is apparent, however, on any reasonable assumptions that such earnings coverage would be more favorable than the present coverages of the subsidiary companies.

Fairness As to Preferred Stockholders

UGI at the present time has no outstanding preferred stock. Of its subsidiaries, the only ones having preferred stocks outstanding are Luzerne County Gas and Electric Corporation, which has outstanding 25,000 shares of 4¼% preferred (par value $100 per share), and The Harrisburg Gas Company, which has outstanding 4,838 shares of 4½% preferred stock (par value $100 per share). Under the Plan, The Harrisburg Gas Company preferred stock will be called at its redemption price, and, accordingly, no question of fairness is presented with respect to this class of stock.

The Luzerne preferred stockholders would, under the Plan, receive new preferred stock of UGI, on a share for share basis, the new stock having the same dividend rate, par value and redemption provisions as the present Luzerne preferred. In addition, the charter will contain all of the protective provisions presently enjoyed by the Luzerne preferred, and also certain additional protective provisions not now in the Luzerne charter.

The capital structure of Luzerne as of December 31, 1951 consisted of $6,549,000 (40.79%) of long-term debt, $2,502,670 (15.59%) of preferred stock and $7,002,423 (43.62%) of common stock and surplus. The capital structure of the new UGI company on a pro forma basis as of December 31, 1951, would have consisted of $17,758,000 (25.4%) of long-term debt, $2,500,000 (3.6%) of preferred stock and $49,519,773 (71.0%) of common stock and surplus. From an earnings standpoint, all income deductions and preferred dividends of Luzerne for the year 1951 were covered 3.65 times. The comparable pro forma coverage for the new UGI company for the year 1951 would have been 5.41 times.

In view of the foregoing, it appears that the new UGI preferred stock represents at least as good a security, from an asset coverage and earnings standpoint, as the present Luzerne preferred stock. Under the circumstances, we conclude that the treatment proposed for such preferred stock is fair and that the Plan may be approved in this aspect.

Fairness As to Common Stockholders

As pointed out in describing the Plan above, each share of old UGI common will receive one share of new common of the merged UGI; each share of Consumers common in the hands of the public will receive 0.8 of a share of new UGI common, and each share of Harrisburg common in the hands of the public will receive 4 shares of new UGI common.

In order to appraise the fairness of the Plan as to the various stockholders affected, it will be helpful first to discuss the operations and pertinent financial information concerning Consumers, Harrisburg and UGI itself. Such information will furnish an appropriate basis for passing upon the fairness of the Plan as to the three classes of public common stockholders affected.

A. UGI

Appendix A, attached hereto, sets forth the corporate balance sheet of UGI at December 31, 1951. Appendix B sets forth the consolidated balance sheet of UGI and its subsidiaries as of December 31, 1951, together with a pro forma balance sheet to reflect the proposed merger and related transactions.

As shown in Appendix B, the consolidated plant of UGI at December 31, 1951, was stated at $75,990,053 which is slightly less than the original cost of such property. Against this plant account there was a depreciation reserve of $20,703,404 which was equal to 27.2% of the total plant account. Of the consolidated plant shown in Appendix B, approximately $25,000,000 represents additions since January 1, 1946.

UGI estimates that the consolidated construction program for the years 1952 and 1953 will amount to approximately $16,800,000. In the estimate submitted by UGI at the hearing, it has been assumed that this construction program will be financed from depreciation accruals, retained earnings and the proceeds from the sale of the Company's miscellaneous investments. It is anticipated that UGI will derive approximately $10,000,000 from the sale of these miscellaneous investments which would be used for construction purposes and to increase the working capital of the Company.

UGI's only outstanding securities consist of 1,230,740 shares of common stock having a par value of $13.50 a share. Table I shows the consolidated capitalization and surplus of UGI at December 31, 1951, together with the pro forma capitalization and surplus as of the same date to reflect the proposed merger and related transactions.

TABLE I

	Actual		Pro Forma	
	Amount	%	Amount	%
Long-Term Debt:				
Mortgage Bonds	$15,758,000	22.6	$15,758,000	22.6
Bank Loans	1,950,000	2.8	1,950,000	2.8
Total Long-Term Debt	$17,708,000	25.4	$17,708,000	25.4
Preferred Stock	$ 2,986,470	4.3	$ 2,500,000	3.6
Minority Interest in Subsidiaries	$ 3,281,656	4.7	—	—
Common Stock and Surplus:				
Common Stock, $13.50 par value	$16,614,990	23.8	$18,146,727	26.0
Capital Surplus	4,668,910	6.7	6,713,896(a)	9.6
Earned Surplus	24,421,978	35.1	24,659,150(b)	35.4
Total Common and Surplus	$45,705,878	65.6	$49,519,773	71.0
Total Capitalization	$69,682,004	100.0	$69,727,773	100.0

(a) The increase in capital surplus is due to the elimination of the minority interest in Consumers and Harrisburg since the par value of the UGI stock being issued therefor is less than the underlying book value of such minority interest.

(b) The increase in earned surplus is primarily due to the inclusion in the accounts of UGI certain accounts with respect to the Northern Liberties Gas Company not presently included in the consolidated balance sheet.

Based on the above capitalization table, the book value of UGI's presently outstanding 1,230,740 shares of common stock amounts to $37.14 per share. On a pro forma basis, the book value of the 1,344,202 shares to be outstanding after the merger will be $36.84 per share. In computing the above book values of UGI stock, the Company's investments in non-subsidiaries are included at their book cost of $4,642,743. At February 25, 1952, the market value of those miscellaneous securities aggregated $11,291,203. If the miscellaneous investments are taken at their market values, the above computed per share values become $42.54 before the merger and $41.78 after the merger.

Appendix C sets forth the corporate income statement of UGI for the year 1951. Appendix D sets forth the consolidated income statement of UGI and its subsidiaries for the year 1951, together with a pro forma income statement for the same period to reflect the proposed merger and related transactions.

Table II shows certain pertinent income data for UGI on a corporate basis for the calendar years 1946–1951, inclusive.

TABLE II

(000 omitted)

Year	Income from Subsidiaries	Dividends from Other Companies	Total Income	Net Income	Earnings per Share of Common Stock	Dividends per Share of Common Stock(a)
1946	$1,278	$1,904	$3,496	$2,388	$1.53	$1.30
1947	1,247	2,249	3,873	2,858	1.83	1.80
1948	1,617	1,445	3,322	2,380	1.52	1.50
1949	1,770	1,081	3,097	2,207	1.41	1.30
1950(b)	1,895	1,197	3,309	2,434	1.55	1.40
1951	2,095	799	3,169	2,288	1.64	1.55

(a) Includes extra dividends of $.50 in 1947, $.20 in 1948 and $.15 in 1951.

(b) Does not include $1,121,250 dividend received from Delaware Coach Company in August 1950 as part of the program for the sale of that company. This dividend was credited to earned surplus.

Table III shows certain pertinent consolidated income data for UGI and its subsidiaries for the years 1946–1951, inclusive, on an actual basis and for the years 1952 and 1953 as estimated by the Company. The table also shows certain income data on a pro forma basis to reflect the proposed merger and related transactions for the years 1950–1953, inclusive. The pro forma information for the years 1950 and 1951 reflects the annual effect of the exchange plan of UGI which was consummated in the summer of 1951(9). The 1950 information excludes any income on the capital stock of Delaware Coach Company which was sold in March of 1951.

TABLE III

(000 omitted)

	Consolidated			Pro Forma		
	Gross Income	Net Income	Earnings per Share	Gross Income	Net Income	Earnings per Share
1946	$3,953	$2,986	$1.91	—	—	—
1947	4,231	3,492	2.23	—	—	—
1948	3,458	2,779	1.77	—	—	—
1949	4,003	3,131	2.00	—	—	—
1950	4,083	3,208	2.05	$3,569	$2,880	$2.14
1951	3,722	2,789	1.99(a)	3,516	2,830	2.11
1952 (estimated)	3,536	2,539	2.06	3,664	2,965	2.21
1953 (estimated)	3,761	2,830	2.30	3,901	3,347	2.49

(a) Based on the average number of shares outstanding during the year. If there is eliminated the income applicable to the securities disposed of in connection with the exchange plan, the per share earnings applicable to the reduced number of shares outstanding at the end of the year amount to $2.05.

(9) Pursuant to this plan, UGI acquired and retired 335,631 shares of its capital stock through the exchange of 201,427 shares of the common stock of Philadelphia Electric Company and 134,288 shares of the common stock of Consumers Power Company and cash (Holding Company Act Release No. 10624, June 15, 1951).

In estimating the earnings for the years 1952 and 1953, the subsidiaries of UGI followed the same procedure as they normally follow in preparing operating budgets. In preparing the estimates, the companies have assumed normal growth in their business, an increased usage of natural gas in 1953, and a Federal income tax rate of 52%. The estimates also reflect rate increases of approximately $400,000 per annum for Allentown-Bethlehem Gas Company and The Harrisburg Gas Company which became effective in February 1952 and a rate increase in the amount of $200,000 per annum for Consumers which became effective in June 1952.

B. Consumers Gas Company

Consumers is a Pennsylvania public utility company engaged principally in the production and purchase of gas and its distribution and sale to the public in parts of Berks County, Pennsylvania, comprising the City of Reading, 20 boroughs and 20 townships. At October 31, 1951, it served 41,429 gas customers in an area having a population of approximately 176,400. In addition, it supplies part of the gas requirements of Lebanon Valley Gas Company, an affiliated company. It leases and operates in the City of Reading certain properties and facilities owned by Reading Gas Company for the manufacture and supply of gas under a lease agreement dated November 19, 1885, for a 99-year period from November 1, 1885.[10]

There is attached hereto as Appendix E a condensed balance sheet of Consumers as of December 31, 1951. As shown in such Appendix, Consumers' gas utility plant was stated at $9,473,224, against which there was a depreciation reserve of $1,605,067 which is equal to 16.9% of the gas utility plant. The gas plant is stated on the basis of an original cost study which was approved by the Pennsylvania Public Utility Commission

Table IV sets forth the capitalization and surplus of Consumers as of December 31, 1951.

TABLE IV

	Amount	%
Long-term Debt:		
4% Note due 1953 (due to UGI)	$ 875,000	10.17
Open Account Indebtedness to UGI	1,455,000	16.91
Notes Payable, banks	315,000	3.66
Total Long-term Debt	$2,645,000	30.74
Capital Stock and Surplus:		
Capital Stock, 220,872 shares	$5,521,800	64.19
Earned Surplus	435,912	5.07
Total Capital Stock and Surplus	$5,957,712	69.26
Total Capitalization	$8,602,712	100.00

[10] Consumers owns 22% of the common stock of Reading Gas Company. In 1940, the Commission declared Reading not to be a subsidiary of Consumers or UGI. *Reading Gas Company* v. *S.E.C.* 7 S.E.C. 755.

Appendix F, attached hereto, sets forth a condensed income statement of Consumers for the calendar year 1951. Table V sets forth certain pertinent income data for Consumers for the years 1946–1951 as per books and for the years 1952 and 1953 as estimated by the Company.

TABLE V

	Actual						Estimated	
	1946	1947	1948	1949	1950	1951	1952	1953
Gross Income	$332,795	$262,328	$250,501	$362,583	$315,614	$423,595	$505,779	$539,636
Income Deductions:								
Interest on 4% Note	—	—	$ 11,667	$ 35,000	$ 35,000	$ 35,000	$35,000	$ 35,000
Other (net)	$ 5,509	$ 2,496	(1,928)	4,271	24,895	55,638	58,548	70,821
Total	$ 5,509	$ 2,496	$ 9,739	$ 39,271	$ 59,895	$ 90,638	$ 93,548	$105,821
Net Income	$327,286	$259,831	$240,762	$323,312	$255,719	$332,957	$412,231	$433,815
Reservation of Income	6,260	7,806	7,772	8,054	8,608	7,953	9,946	9,946
Balance	$321,026	$252,025	$232,989	$315,258	$247,111	$325,004	$402,285	$423,869
Per Share of Capital Stock:								
Earnings	$1.45	$1.14	$1.05	$1.43	$1.12	$1.47	$1.82	$1.92
Dividends	1.20	1.20	1.00	1.00	1.00	1.00	—	—

In considering the earnings of Consumers for the period shown in Table V, it should be noted that in the year 1950 the Company started a conversion program to the use of natural gas. The increased use of natural gas results in substantial economies in the cost of gas distributed and permits of a greater usage of gas with existing facilities. While the Company does not anticipate a complete change-over to the use of natural gas in the foreseeable future, the partial conversion has made it possible to increase the B.T.U. content of the gas distributed from 520 to 800 per cubic foot and in large degree is responsible for the increased earnings shown in 1951. In estimating the earnings for the years 1952 and 1953, the Company has followed the same procedure used in preparing operating budgets. The increases shown for these years are primarily due to anticipated normal growth, a rate increase of approximately $200,000 per annum which became effective on June 1, 1952 and a substantial increased use of natural gas in 1953.

C. The Harrisburg Gas Company

Harrisburg is a Pennsylvania public utility company engaged principally in the production and purchase of gas and its distribution and sale to the public in parts of Dauphin, Cumberland, York and Lancaster Counties, Pennsylvania, comprising the City of Harrisburg, 16 boroughs and 21 townships. At October 31, 1951, it served 49,792 gas customers in an area having a population of approximately 190,000. In addition, it supplies a portion of the gas requirements of Lebanon Valley Gas Company, an affiliated company.

There is attached hereto as Appendix G a condensed balance sheet of Harrisburg as at December 31, 1951. As shown in this Appendix, the gas utility plant of Harrisburg, which is stated at original cost, amounted to $12,087,166, against which there was a depreciation reserve of $2,500,637 which is 20.7% of the gross plant.

Table VI sets forth the capitalization and surplus of Harrisburg at December 31, 1951.

TABLE VI

	Amount	%
Long-Term Debt:		
First Mortgage Bonds, 2⅝%–3.15% due 1971–1976	$4,020,000	41.48
Open Account Indebtedness to UGI	1,245,000	12.85
Notes Payable, banks	200,000	2.06
Total Long-term Debt	$5,465,000	56.39
4½% Preferred Stock, 4,838 shares	$ 483,800	4.99
Common Stock and Surplus:		
Common Stock, 41,433 shares	$3,342,262	34.49
Capital Surplus	38,013	0.40
Earned Surplus	361,660	3.73
Total Common and Surplus	$3,741,935	38.62
Total Capitalization	$9,690,735	100.00

Appendix H, attached hereto, sets forth a condensed income statement of Harrisburg for the calendar year 1951. Table VII shows certain pertinent income data for Harrisburg for the years 1946–1951, as per books, and for the years 1952 and 1953 as estimated by the Company.

TABLE VII

	Actual						Estimated	
	1946	1947	1948	1949	1950	1951	1952	1953
Gross Income	$352,346	$347,648	$308,060	$397,431	$436,992	$436,809	$588,655	$870,476
Income Deductions:								
Interest on Bonds	$ 75,171	$ 57,132	$ 56,225	$ 75,983	$ 85,730	$105,469	$114,730	$113,037
Other (net)	7,373	2,246	(3,780)	2,938	19,534	52,796	67,614	116,291
Total	$ 82,544	$ 59,378	$ 52,445	$ 78,921	$105,264	$158,265	$182,344	$229,328
Net Income	$269,802	$288,270	$255,615	$318,510	$331,728	$278,545	$406,311	$641,148
Preferred Dividends	26,275	21,771	21,771	21,771	21,771	21,771	21,771	21,771
Balance	$243,527	$266,499	$233,844	$296,739	$309,957	$256,774	$384,540	$619,377
Times Earned:								
Interest on Bonds	4.68	6.08	5.48	5.23	5.10	4.14	5.13	7.70
Total Deductions and Preferred Dividends	3.24	4.28	4.15	3.95	3.44	2.43	2.88	3.47
Per Share of common stock:								
Earnings	$8.82	$9.65	$6.77	$7.16	$7.48	$6.20	$9.28	$14.95
Dividends	5.00	7.00	5.50	5.50	5.50	5.50	—	—

Harrisburg is also in the process of converting to the use of natural gas. The Company, like Consumers, does not anticipate a complete changeover, but expects to increase the B.T.U. content of the gas it distributes from 520 to 800 per cubic foot in the summer of 1953. Harrisburg, in estimating its operating income for the years 1952 and 1953, followed the same methods and procedures it normally follows in preparing its operating budgets. These estimates reflect a rate increase of approximately $400,000 per annum which became effective in February 1952, and are based primarily on the assumption that there will be a normal increase in business, and an increased usage of natural gas together with the discontinuance of the purchase of coke oven gas in 1953.

The record is clear that the 1952 and 1953 estimates were not made for the purpose of determining the earnings which Harrisburg would have if it should continue as a separate company; rather they were prepared primarily to determine the contribution which Harrisburg, as an operating division, would make to the estimated earnings of UGI. Although the estimates of operating income appear appropriate for our purposes, estimates of net income and net income per share of common stock which depend upon the security structure which Harrisburg would have if it remained as a separate company (ex the instant reorganization), appear to be questionable, since the management assumed that all additional financing would consist of debt securities in the aggregate amount of $3,000,000. Such a program would increase the ratio of long-term debt (including temporary open-account advances from UGI) to total capitalization from 56.39% at the end of 1951 to 64.38% at the end of 1953. It is extremely doubtful whether, in this case, we could permit the company to finance its construction program in such a manner in view of the deterioration it would have on its capital structure. In fact, the management of Harrisburg itself has stated a contrary intention. In the application of that company filed with this Commission regarding the issuance of bonds, which application was granted by Order dated April 24, 1951,[11] it was stated that Harrisburg proposed, in the Fall of 1951, to initiate a program of equity financing, the proceeds from which were to be used to repay the balance of advances made by UGI, amounting to $1,245,000 (12.85% of total capitalization and surplus) as of December 31, 1951. The presently proposed merger intervened and the proposed equity financing, therefore, was not consummated.

D. Conclusions as to Fairness to Common Stockholders

As we have heretofore pointed out, there will be distributed under the Plan 1,344,202 shares of new UGI common stock. One share of new UGI common stock will be allocated for each share of UGI common presently outstanding; 0.8 of a share of new common stock will be issued for each share of Consumers common in the hands of the public; and 4 shares of new common will be issued for each share of the common stock of Harrisburg in the hands of the public.

The allocation of the new UGI common stock among the common stockholders of UGI, Consumers, and Harrisburg will be as follows:

Old Security	No. of Shares	Allocation per Share	Aggregate Allocation	%
UGI Common	1,230,740	1.0	1,230,740	91.56
Consumers Common	80,787	0.8	64,630	4.81
Harrisburg Common	12,208	4.0	48,832	3.63
Total			1,344,202	100.00

(11) *Harrisburg Gas Company*, File No. 70-2604.

We have previously set forth certain pertinent financial data with respect to UGI, Consumers and Harrisburg. These data showed that the present common stockholders of UGI will not be adversely affected by the Plan. The effect of the Plan on the capital structure of UGI will be to increase the common stock equity from 65.6% to 71.0% due principally to the elimination of the minority interest in Consumers and Harrisburg. The effect of the Plan will be to reduce slightly the book value of the common stock of UGI. As we have shown on the basis of book values, the asset value of each share of UGI common stock will be reduced from $37.14 to $36.84. If the miscellaneous investments are included at their market values, such asset values of the UGI common stock will be reduced from $42.54 to $41.78. The effect of the Plan on the earnings applicable to the common stock of UGI, which is the most important criterion in testing the fairness of the Plan, will be favorable. As shown in Table III, the pro forma per share earnings of the common stock of UGI for the years 1950–1953, inclusive, are from 10¢ to 20¢ higher than the per share earnings of the Company absent the merger. Moreover, there is not included in the above pro forma earnings figures any additional amounts for savings which it was testified should develop from the higher degree of integration possible under the merger. Under these circumstances, we find that the proposed Plan is fair to the present common stockholders of UGI.

Although the Plan appears to offer definite advantages to the present common stockholders of UGI, this advantage is not derived at the expense of the minority stockholders of Consumers and Harrisburg for as we show later the Plan also offers definite advantages to these stockholders.

The underlying book value of the common stock of Consumers, as indicated by Table IV, amounts to approximately $27 per share, compared with the pro forma underlying book value of $33 per share applicable to 0.8 shares of common stock of UGI (based on market values of UGI's miscellaneous investments). Similarly the underlying book value of each share of Harrisburg common stock, as indicated in Table VI, amounts to approximately $90 per share compared with a book value of $167 applicable to the four shares of UGI common stock allocated thereto.

There is set forth in the following table the earnings relationship between one share of Consumers and 0.8 shares of new UGI common, and between one share of Harrisburg and 4 shares of new UGI common, for the years 1950 and 1951 on an actual basis, and for the years 1952 and 1953 as estimated by the Company.

	1950	1951	1952	1953
1 share of Consumers.........	$1.12	$1.47	$1.82	$ 1.92
0.8 share of UGI (New).......	1.71	1.69	1.77	1.99
1 share of Harrisburg.........	7.48	6.20	9.28	14.95
4 shares of UGI (New)........	8.56	8.44	8.84	9.96

On the basis of these earnings, it appears that the proposed treatment of the publicly-held Consumers stock, considered strictly from the standpoint of past earnings, is somewhat liberal. However, the allocation appears to be substantially in accord with the projected earnings.

As to Harrisburg stock, the allocation also appears somethat favorable on the basis of past earnings. With respect to the 1952 and 1953 estimates of earnings, however, it must be recognized that the Harrisburg estimates were based on a distorted security structure because of the pendency of the instant merger plans.[12] It should be noted that if only the temporary indebtedness of Harrisburg as at December 31, 1951, were refunded through the issuance of additional common stock (at

[12] Current liabilities of $2,075,290 exceeded current assets of $769,181 as at December 31, 1951.

approximately the present market price),(13) the effect would be to increase the number of shares outstanding from 41,433 to 55,900 and reduce the per share earnings for 1952 and 1953 to approximately $7.40 and $11.60,(14) respectively.

Edward Hopkinson, a partner of Drexel & Co., who acted as financial adviser for UGI and testified as a financial expert, also recognized that the 1953 estimates of earnings for Harrisburg were distorted because of the security structure used as a basis for determining them. He further stated that, for purposes of comparison, the earnings figures of Harrisburg would have to be adjusted so as to reflect a more normal percentage of debt capitalization and the issuance of additional equity securities for at least a substantial part of the additional money needed by Harrisburg.(15)

At the hearing on the Plan, the president of UGI testified that the board of directors, after careful study, determined that the allocations were fair according to their best judgment. Hopkinson, on the basis of information prepared by the company, analyzed the problem of allocation, and recommended to the board the allocations which the board thereafter adopted.

We have carefully reviewed the proposed allocations in the light of all the pertinent financial information and circumstances of this particular case, including the capital structures, asset values and earnings of UGI as compared with Harrisburg and Consumers.(16) In passing on the fairness of the allocations proposed in the Plan, we are not required to place specific values on each individual security. To do so would create an illusion of mathematical certainty in a field where such certainty cannot exist. All that we are required to do is to determine whether the assets and earnings attaching to the securities being surrendered and received bear a reasonable relationship to each other so as to fall within the permissible limits of fairness. Under all the circumstances, we have concluded that the allocations proposed are within the range of fairness, and we, therefore, find the Plan to be fair and equitable as to the three classes of common stockholders affected. In making this finding we have considered the fact that less than 9% of the new common stock is being allocated to the public common stockholders of Consumers and Harrisburg so that even if such allocation might be considered somewhat generous the effect on the common stockholders of UGI would be relatively *de minimis* and, therefore, would not be such as to render the Plan unfair.

MODIFICATION OF SECTION 11(b)(1) ORDER

By our Order of June 15, 1951, we directed the disposition by UGI within one year from that date of all its holdings in non-subsidiary utility companies, and, in addition, of the note in the amount of $916,666.67 issued by the Delaware Coach Company as part of its reorganization plan in 1951. The time for compliance with this Order expired on June 15, 1952.

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(13) Present market price of approximately $100 is in excess of its book value of $90 per share.

(14) On this basis the ratio of debt to total capitalization as at December 31, 1953 would be about 53% compared with about 25% for UGI pro forma.

(15) It should also be noted that, at the present time, UGI renders substantial services to its subsidiary companies at no cost to the subsidiaries. While it does not appear that this factor was given consideration in arriving at the allocations proposed in the plan, it would appear that UGI's present corporate expenses include substantial amounts for services rendered to Harrisburg at no cost, which services might properly be charged to the Harrisburg operations.

(16) On the basis of market values as of the latter part of December 1951, when the plan was filed, the allocations under the plan were somewhat favorable to the public stockholders of Consumers and Harrisburg. Since that date, the market prices of the common stock of the three companies have, in general, fluctuated in accord with the allocations in the plan. However, neither Harrisburg nor Consumers stock is listed and there is practically no trading in the Harrisburg stock. It should be noted, however, that, based on the latest market value for the UGI common stock, the 8/10 of a share of new UGI common stock being allocated for each share of publicly-held common stock of Consumers will have a market value of about $25 and the four shares of new UGI common stock being allocated for each share of publicly-held common stock of Harrisburg will have an aggregate value of approximately $130.

UGI proposes to dispose of the securities subject to this Order (except Delaware Coach Company) within one year from the effective date of the Plan. In view of the time which has necessarily been involved in connection with preparation for and the proceedings on the comprehensive plan, we believe that good cause has been shown for such extension, and we shall grant an extension of time for disposition of these securities until June 15, 1953.

As to the Delaware Coach Company note, UGI has requested that we modify our Order to permit the retention of this note on the ground that it is a non-voting and self-liquidating security and could be readily disposed of only at a financial sacrifice. On the basis of the record in this case, we are satisfied that this investment is not readily marketable and it may be noted that, unlike the other assets subject to the Section 11(b)(1) Order, this security does not represent an interest in an electric or gas utility company and is a non-voting security. Under all the circumstances, we have concluded that there is some basis for its retention for the purpose of liquidation pursuant to the terms of the note, as an incident to carrying out the provisions of Section 11(b) of the Act. Accordingly, we consider it appropriate to modify our Section 11(b)(1) Order by eliminating the requirement for disposition of the Delaware Coach Company note. Our order with respect to the Plan will provide for an appropriate modification of the June 15, 1951 Order under Section 11(b)(1).

ACQUISITION OF CONSUMERS CAPITAL STOCK

On or about July 1, 1951, Drexel & Co., financial advisers to UGI, acquired 1,459 shares of the capital stock of Consumers at a price of $20.25 per share. This acquisition was made after preliminary discussions regarding the present Plan had been held between UGI and Drexel and at that time Drexel informed UGI that at any time it desired it could acquire such stock of Consumers at Drexel's cost. UGI, in accordance with the offer of Drexel, proposes to acquire these shares of Consumers stock at their cost to Drexel as soon as practicable following Commission approval of the Plan and prior to the effective date of the merger proposed in the Plan. We observe no basis for making any adverse findings with respect to this transaction and find that the acquisition meets the applicable requirements of the Act.

SECTION 5(d) ORDER

UGI has requested that, if the Commission approves the Plan, an order be entered under Section 5(d) of the Act declaring that UGI shall have ceased to be a holding company and that its registration under the Act shall have ceased to be in effect. Upon consummation of the Plan, UGI will no longer have any subsidiaries and will constitute a public utility operating company. Since Section 5(d) specifically requires a finding that a registered holding company has ceased to be a holding company before we may enter an order declaring that the company has attained that status, we are unable to issue such an order at this time. However, on the basis of the record now before us, UGI would appear to be entitled to such an order after the merger has been effected.

We shall reserve jurisdiction to enter a Section 5(d) order at such time as the Plan may have been consummated, and UGI has renewed its request, such order to be subject to such terms and conditions, if any, as the Commission then finds and prescribes as necessary for the protection of investors.

FEES AND EXPENSES

The Plan contains an undertaking by UGI to pay such fees, expenses and remunerations in connection with the Plan as the Commission may approve, determine, award, allow or allocate. Information has not yet been submitted as to fees or expenses requested by the parties or participants in the proceeding. Our order will reserve jurisdiction to pass upon such fees and expenses at such time as the record is completed with respect thereto.

OTHER MATTERS

The Plan provides that any stock, bonds or cash remaining in the hands of UGI or its agent at the expiration of five years after the effective date of the Plan, other than new UGI common stock held for exchange for outstanding UGI Capital Stock, will become the property of UGI, and the persons otherwise entitled thereto will thereafter have no claim against UGI with respect thereto. No provision is contained in the Plan for the hiring of qualified persons, advertising, etc. to locate missing security holders during the five-year period. While it is expected that in this case missing security holders will be few or none at all, we shall reserve jurisdiction to require and supervise such efforts as may appear necessary to locate security holders.

We will, in accordance with applicant's request, make appropriate recitals in our order of approval which will conform to the applicable requirements of the Internal Revenue Code, as amended, including Section 1808(f) and Supplement R thereof.

The Plan contains a request that upon a determination by this Commission that the Plan is fair and equitable the Commission apply to a court of competent jurisdiction in accordance with the provisions of subsection (e) of Section 11 and of subsection (f) of Section 18 of the Act to enforce and carry out the terms and provisions of Part 2 thereof. In accordance with this request, we will institute appropriate action for its enforcement.

CONCLUSION

On the basis of the record, we find that the Plan proposed under Section 11(e) is necessary to effectuate the provisions of Section 11(b) and is fair and equitable to the persons affected thereby. Accordingly, an order will be entered approving the Plan under Section 11(e). As has been stated, the order will provide for extension of the time within which UGI may dispose of its non-subsidiary securities, and will modify the Section 11(b)(1) order to eliminate the requirement for the disposition of the Delaware Coach Company note.

Our order will also reserve jurisdiction with respect to fees and expenses, the efforts of UGI to find missing security holders and with respect to the entry of a Section 5(d) order.

Since the stockholders are being requested to vote upon the Plan, these Findings and Opinion should be considered as a Report with respect to the Plan pursuant to Section 11(g) of the Act and we direct that it be sent to stockholders in connection with any solicitation of their consents to the Plan.

An appropriate order will issue.

By the Commission (Chairman Cook and Commissioners McEntire, Adams and Rossbach), Commissioner Rowen not participating.

ORVAL L. DUBOIS,
Secretary.

(SEAL)

THE UNITED GAS IMPROVEMENT COMPANY

BALANCE SHEET

December 31, 1951

ASSETS AND OTHER DEBITS

Investments (at cost or less):			
Investment Securities and Advances:			
Subsidiary Companies, Majority-Owned:			
Consolidated		$34,445,049	
Other Companies		4,642,743	
Miscellaneous Investments		7,921	$39,095,713
Special Fund (Contra)			40,691
Current Assets:			
Cash, Demand Deposits in Banks		$ 1,296,701	
Special Deposits		99,572	
Temporary Cash Investments—U. S. Treasury Securities		1,500,767	
Accounts Receivable		21,280	
Accrued Interest Receivable		91,479	
Other Current Assets		3,729	3,013,528
Prepayments			6,600
Deferred Charges			51,720
Total Assets and Other Debits			$42,208,252

LIABILITIES AND OTHER CREDITS

Capital Stock—$13.50 par value:			
Authorized	2,414,759 shares		
Issued	1,239,959 shares		$16,739,446
Less—Reacquired	9,219 shares		124,456
Outstanding	1,230,740 shares		$16,614,990
Surplus:			
Earned		$20,501,082	
Reserve for Possible Losses on Investments		3,844,421	
Capital (Arising in connection with change of Capital Stock from No Par to Par and reacquisition of Capital Stock in exchange for investment securities)		824,489	25,169,992
Total Capital Stock and Surplus			$41,784,982
Current Liabilities:			
Accounts Payable		$ 12,059	
Dividends Declared		89,507	
Accrued Taxes:			
Federal Income	$139,134		
Federal Excess Profits	—		
Other Federal	820		
Commonwealth of Pennsylvania	62,980	202,934	
Other Current Liabilities		17,218	
Liability for Redemption of $13.50 Par Scrip		10,065	331,783
Reserves:			
Prior Years' Taxes		$ 50,796	
Special Fund (Contra)		40,691	91,487
Total Liabilities and Other Credits			$42,208,252

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Appendix B

THE UNITED GAS IMPROVEMENT COMPANY AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEET
December 31, 1951 And

THE UNITED GAS IMPROVEMENT COMPANY
PRO FORMA BALANCE SHEET
December 31, 1951

	The U.G.I. Co. and Subsidiary Companies Consolidated	Pro Forma The U.G.I. Co. After Giving Effect to the Plan
ASSETS AND OTHER DEBITS		
Plant and Equipment (including intangibles):		
Electric and Gas Utility Plant:		
Original Cost	$67,142,527	$72,376,987
Acquisition Adjustments	(204,202)	(204,202)
Non-Utility Plant, at cost	9,051,728	—
	$75,990,053	$72,172,785
Less—Reserve for Depreciation and Amortization	20,703,404	18,485,502
	$55,286,649	$53,687,283
Investments (at cost or less):		
Investment Securities:		
Other Companies	$ 4,642,743	$ 4,642,743
Other Physical Property	$ 132,446	$ 5,153,201
Less—Reserve for Depreciation and Amortization	—	(2,506,623)
	$ 132,446	$ 2,646,578
Other Investments	$ 3,000	$ 3,000
	$ 4,778,189	$ 7,292,321
Advances to The Philadelphia Gas Works Company, Lessee	$ 5,200,000	—
Loans in Connection with operation of City of Philadelphia Gas Works	$ —	$ 5,200,000
Sinking and Special Funds	$ 256,946	$ 256,946
Current and Accrued Assets:		
Cash on Hand and Demand Deposits in Banks	$ 3,060,320	$ 3,115,148
Special Deposits	228,388	228,902
Temporary Cash Investments	1,800,767	300,000
Other	5,265,448	5,295,451
Total Current and Accrued Assets	$10,354,923	$ 8,939,501
Deferred Debits	$ 989,078	$ 564,078
Total Assets and Other Debits	$76,865,785	$75,940,129

Appendix B—Continued

THE UNITED GAS IMPROVEMENT COMPANY AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEET
December 31, 1951 And

THE UNITED GAS IMPROVEMENT COMPANY
PRO FORMA BALANCE SHEET
December 31, 1951

LIABILITIES AND OTHER CREDITS	The U.G.I. Co. and Subsidiary Companies Consolidated	Pro Forma The U.G.I. Co. After Giving Effect to the Plan
Capital Stocks and Surplus:		
Preferred stock—4¼% Series—$100 par value	$ —	$ 2,500,000
Capital Stock—$13.50 par value	16,614,990	—
Common Stock—$13.50 par value	—	18,146,727
Surplus:		
Earned	24,421,978	24,659,150
Reserved for Possible Losses on Investments	3,844,421	—
Capital	824,489	6,713,896
Net excess of equity in Capital Stocks of subsidiary companies at dates of acquisition over investment therein	317,689	—
Preferred stocks—subsidiary companies	2,986,470	—
Minority interest in subsidiary companies	3,281,656	—
Total Capital Stocks and Surplus	$52,291,693	$52,019,773
Long-Term Debt:		
Bonds—The U.G.I. Co.	$ —	$15,758,000
Bonds—subsidiary companies	15,758,000	—
Less—Sinking Fund requirements due in 1952 (estimated)	(110,000)	(110,000)
Notes Payable—Banks	1,950,000	1,950,000
	$17,598,000	$17,598,000
Current and Accrued Liabilities	$ 5,920,973	$ 5,046,778
Deferred Credits	$ 141,386	$ 317,958
Reserves	$ 640,342	$ 682,521
Contributions in Aid of Construction	$ 273,391	$ 275,099
Total Liabilities and Other Credits	$76,865,785	$75,940,129

THE UNITED GAS IMPROVEMENT COMPANY

STATEMENT OF INCOME

For Twelve Months Ended December 31, 1951

Income:	
Dividends:	
Subsidiaries, Majority Owned, Consolidated	$1,794,739
Other Companies	798,603
Total	$2,593,342
Interest:	
Subsidiaries, Majority Owned, Consolidated	$ 300,220
Other Company	43,056
Total	$ 343,276
Income from Special Fund	$ 1,363
Income from Temporary Cash Investments, Royalties, etc.	231,515
Total Income	$3,169,496
Expenses, Other than Income Taxes:	
Salaries, Office Rentals, Supplies, etc.	$ 507,207
General Expenses	145,787
Sub-Total	$ 652,994
Provision for Federal Taxes, Other than Income Taxes	$ 3,981
Provision for State and Local Taxes	75,905
Sub-Total	$ 79,886
Total Expenses, Other than Income Taxes	$ 732,880
Net Operating Income, before Income Taxes	$2,436,616
Other Deductions from Income	23,190
Net Income, before Income Taxes	$2,413,426
Provision for Federal Income and Excess Profits Taxes:	
Income Taxes	$ 125,302
Excess Profits	—
Total	$ 125,302
Net Income	$2,288,124
Income Appropriated to Special Fund Reserve	1,363
Balance Available for Capital Stock and Surplus	$2,286,761

Appendix D

THE UNITED GAS IMPROVEMENT COMPANY AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF INCOME
For the Twelve Months Ended December 31, 1951, and

THE UNITED GAS IMPROVEMENT COMPANY
PRO FORMA STATEMENT OF INCOME
For the Twelve Months Ended December 31, 1951

	Consolidated	The U.G.I. Co. After Giving Effect to the Plan
Operating Revenues:		
Gas	$12,828,443	$13,092,580
Electric	4,809,707	4,809,707
Other	1,265,722	1,260,951
Total	$18,903,872	$19,163,238
Operating Revenue Deductions:		
Operating Expenses	$11,211,855	$11,435,634
Maintenance	1,276,093	1,314,982
Provision for Depreciation	1,646,228	1,653,067
Provision for Taxes:		
Federal Income	1,801,753	1,801,753
Other Federal	155,146	155,597
State and Local	598,158	599,190
Total	$16,689,233	$16,960,223
Operating Income	$ 2,214,639	$ 2,203,015
Other Income:		
Dividends	$ 798,603	$ 798,603
Interest	290,666	279,548
Merchandising and Jobbing	198,734	201,245
Miscellaneous	219,111	223,198
Total	$ 1,507,114	$ 1,502,594
Gross Income	$ 3,721,753	$ 3,705,609
Deductions from Gross Income:		
Interest on Long Term Debt	$ 554,612	$ 554,612
Interest, Other	34,915	9,554
Interest charged to Construction	(28,674)	(28,674)
Miscellaneous Income Deduction	49,105	43,672
Dividends on Preferred Stocks of Subsidiaries	128,031	—
Minority Interest	194,532	—
Total	$ 932,521	$ 579,164
Net Income	$ 2,789,232	$ 3,126,445
Dividends on Preferred Stock		$ 106,260
Net Income Applicable to Common Stock		$ 3,020,185

CONSUMERS GAS COMPANY

CONDENSED BALANCE SHEET

December 31, 1951

ASSETS AND OTHER DEBITS

Gas Utility Plant	$9,473,224
Less Reserve for Depreciation	1,605,068
Net Gas Utility Plant	$7,868,156
Investments (other physical property and miscellaneous)	75,616
Reserve fund	211,152
Current and accrued assets	844,042
Deferred debits	353,941
Total Assets and Other Debits	$9,352,907

LIABILITIES AND OTHER CREDITS

Capital stock and surplus:	
Capital stock, par $25:	
Authorized, 280,000 shares	
Issued and outstanding, 220,872 shares	$5,521,800
Earned surplus	435,912
	$5,957,712
Note payable, parent company, due September 1, 1953, interest at rate of 4 pct. per annum	$ 875,000
Current and accrued liabilities:	
Notes payable, banks	$ 315,000
Advance payable to parent company	1,455,000
Accounts payable	158,729
Taxes accrued	330,166
Other	48,070
Total current and accrued liabilities	$2,306,965
Deferred credits	$ 11,328
Miscellaneous Reserves	$ 165,384
Contributions in aid of construction	$ 36,518
Total Liabilities and Other Credits	$9,352,907

Appendix F

CONSUMERS GAS COMPANY

STATEMENT OF INCOME

For Twelve Months Ended December 31, 1951

Operating revenues	$3,010,085
Operating revenue deductions:	
Operating expenses, other than maintenance	$2,023,608
Maintenance	122,407
Provision for depreciation	168,000
Provision for taxes:	
Federal income	279,127
Other Federal	8,400
State and local	50,962
Total operating revenue deductions	$2,652,504
Net operating revenues	$ 357,581
Other income, net:	
Merchandising, jobbing and contract work	$ 56,202
Income from U. S. Treasury securities	—
Income from reserve fund	7,953
Miscellaneous	1,859
Total other income, net	$ 66,014
Gross income	$ 423,595
Income deductions:	
Interest on long-term note (parent company)	$ 35,000
Other interest and miscellaneous charges	56,192
Total	$ 91,192
Less interest charged to construction	554
Total income deductions	$ 90,638
Net income	$ 332,957
Reservation of net income (credited to reserve for purchase of leased property)	7,953
Balance of earnings	$ 325,004

Appendix G

THE HARRISBURG GAS COMPANY

CONDENSED BALANCE SHEET

December 31, 1951

ASSETS AND OTHER DEBITS

Gas Utility Plant	$12,087,166
Less Reserve for Depreciation	2,500,637
Net Gas Utility Plant	$ 9,586,529
Investments (other physical property)	15,134
Current and accrued assets	769,181
Deferred Debits	20,588
Total Assets and Other Debits	$10,391,432

LIABILITIES AND OTHER CREDITS

Capital stock and surplus:		
Preferred cumulative stock (par $100) authorized 25,000 shs. of which amount a 4½% series is authorized for 5,000 shs.		
Issued and outstanding	4,838 shares	$ 483,800
Common Stock (no par)		
Authorized	60,000 shares	
Issued and outstanding	41,433 shares	3,342,262
Earned surplus since May 1, 1946		361,660
Capital surplus arising from reduction of capital		38,013
		$ 4,225,735
Long-term debt:		
First mortgage bonds:		
2⅝% series due May 1, 1971		$ 2,035,000
3⅛% series due May 1, 1971		985,000
3.15% series due May 1, 1976		1,000,000
		$ 4,020,000
Less sinking fund requirements		48,000
		$ 3,972,000
Current and Accrued Liabilities		$ 2,075,290
Deferred credits		$ 14,283
Miscellaneous Reserves		$ 61,309
Contributions in aid of construction		$ 42,815
Total Liabilities and Other Credits		$10,391,432

THE HARRISBURG GAS COMPANY

STATEMENT OF INCOME

For Twelve Months Ended December 31, 1951

Operating revenue	$3,293,146
Operating revenue deductions:	
Operating expenses, other than maintenance	$2,052,707
Maintenance	227,979
Provision for depreciation	275,000
Amortization of utility plant acquisition adjustments	910
Provision for Taxes:	
Federal income	273,899
Other Federal	10,545
State and local	48,558
Total operating revenue deductions	$2,889,598
Net operating revenues	$ 403,548
Other income, net:	
Merchandising, jobbing and contract work	$ 33,261
Other	—
Total other income, net	$ 33,261
Gross income	$ 436,809
Income deductions:	
Interest on long-term debt	$ 105,469
Amortization of premium and discount on bonds, net (credit)	(439)
Other interest and miscellaneous charges	53,836
Total	$ 158,866
Less interest charged to construction	602
Total income deductions	$ 158,264
Net income	$ 278,545
Dividends on preferred stocks	21,771
Balance available for common stock	$ 256,774

UNITED STATES OF AMERICA

before the

SECURITIES AND EXCHANGE COMMISSION

September 18, 1952

In the Matter of THE UNITED GAS IMPROVEMENT COMPANY (File No. 54-201) THE UNITED GAS IMPROVEMENT COMPANY AND SUBSIDIARY COMPANIES Respondents (File No. 59-6) (Public Utility Holding Company Act of 1935)	ORDER APPROVING PLAN PURSUANT TO SECTION 11(e) OF THE ACT

The United Gas Improvement Company ("UGI"), a registered holding company, having filed a plan, together with an amendment thereto (the "Plan"), pursuant to Section 11(e) of the Public Utility Holding Company Act of 1935 (the "Act"), providing, among other things, for the merger of UGI and its various subsidiary companies, and for other transactions and steps as more fully set forth in said Plan;

The Commission having given public notice with respect to the filing of said Plan and with respect to holding of a hearing thereon, which notice was given by Notice and Order dated January 22, 1952 (Holding Company Act Release No. 11015), and public hearings having been held after such notice, at which hearings all interested persons were afforded an opportunity to be heard;

UGI having requested the Commission to enter an order finding that the Plan is necessary to effectuate the provisions of Section 11(b) of the Act, and is fair and equitable to the persons affected thereby;

UGI having further requested the Commission, pursuant to Section 11(e) of the Act, to apply to an appropriate court, in accordance with the provisions of Section 18(f) of the Act, to enforce and carry out the terms and provisions of Part 2 of the Plan;

The Commission having previously, by Order entered June 15, 1951 (Holding Company Act Release No. 10624) directed that UGI dispose of its direct and indirect ownership, control and holdings of certain securities therein named, including securities of Delaware Coach Company, and UGI having requested that the time for compliance with such Order be extended for one year from June 15, 1952, and that such Order be modified by eliminating therefrom the requirement for disposition by UGI of its securities of Delaware Coach Company (being a note in the amount of $916,666.67), so as to permit the retention of such note and the liquidation thereof in accordance with its terms;

UGI having requested that the Commission, upon approving the Plan, find that UGI shall have ceased to be a holding company, and that an order be entered under Section 5(d) of the Act so declaring, and finding that UGI's registration under the Act shall cease to be in effect; and

UGI having proposed, in connection with such Plan, to acquire 1,459 shares of the capital stock of Consumers Gas Company from Drexel & Co., financial advisers to UGI, at the price of $20.25 per share, being the cost of such shares to Drexel & Co., and such acquisition appearing to meet the standards of the Act.

The Commission being duly advised and having this day issued its Findings and Opinion, and on the basis of such Findings and Opinion and pursuant to the applicable provisions of the Act and the Rules and Regulations thereunder:

It is Ordered that the Plan of UGI be, and it is hereby approved, subject to the terms and conditions in Rule U-24 of the General Rules and Regulations promulgated under the Act, and subject to the following additional terms and conditions:

1. The order entered herein shall not be operative to authorize the consummation of the transactions proposed in Part 2 of the Plan until a court of competent jurisdiction shall, upon application thereto, enter an order enforcing Part 2 of the Plan;

2. Jurisdiction be and it is hereby specifically reserved as to the following matters:

(a) To approve, determine, award, allow or allocate any fees, expenses and remunerations in connection with the Plan, and to pass upon the reasonableness thereof;

(b) To take such further action as the Commission may deem appropriate to effectuate the provisions of the Plan concerning efforts of the company to locate persons entitled to securities or cash by reason of their holdings of the securities of UGI and its subsidiaries;

(c) To entertain such further proceedings, to make such supplemental findings, to enter such further orders, and to take such further action as the Commission may deem appropriate in connection with the Plan, as amended, the transactions incident thereto, and the consummation thereof; and

(d) To consider whether, after all of the transactions provided in Parts 1, 2 and 3 of the Plan shall have been consummated, and UGI shall have renewed its request, an order should be entered under Section 5(d) of the Act, and whether such order should be subject to any terms and conditions as necessary for the protection of investors.

It is Further Ordered that the Commission's Order entered June 15, 1951, be, and hereby is, amended to eliminate the requirement that UGI dispose of its holdings of securities of Delaware Coach Company, and that an extension of time be and is hereby granted until June 15, 1953, for compliance with the remaining provisions of such Order.

It is Further Ordered and Recited that all transactions proposed in the aforesaid Plan to be effected by UGI, Allentown-Bethlehem Gas Company ("Allentown"), Consumers Gas Company ("Consumers"), The Harrisburg Gas Company ("Harrisburg"), Lancaster County Gas Company ("Lancaster"), Lebanon Valley Gas Company ("Lebanon"), Luzerne County Gas and Electric Corporation ("Luzerne"), and The Philadelphia Gas Works Company ("P.G.W."), or any of them, or by the holders of securities heretofore or hereafter issued or assumed by any of them, including particularly the exchanges, redemptions, issuances, transfers, acquisitions, expenditures, distributions, conveyances, dispositions and sales hereinafter itemized, specified, described, and recited are authorized, approved, and required; that said transactions are necessary or appropriate to the integration or simplification of the holding company system of which said corporations are members and are necessary or appropriate to effectuate the provisions of Subsection (b) of Section 11 of the Public Utility Holding Company Act of 1935; that said transactions or any of them may be effected through and deliveries may be made to or through trustees, exchange agents, or otherwise, and/or the stocks, securities and cash, and other property may be delivered direct to those ultimately entitled thereto, all in any manner consistent with the court order enforcing the Plan and within the time limits specified in the Plan or in said court order; and that this order is issued under the authority of Subsection (e) of Section 11 of the Public Utility Holding Company Act of 1935 to effectuate the provisions of Subsection (b) of Section 11 of said Act:

1. The resumption by UGI, as agent of Northern Liberties Gas Company, of the conduct of the latter's business and the operation of its gas properties under the July 2, 1900 agreement between UGI and Northern Liberties Gas Company; such resumption to be accomplished by UGI and P.G.W. terminating the existing agreement between them dated May 14, 1937, pursuant to which P.G.W. was substituted for UGI as agent to operate such properties and to supply and distribute gas in that portion of the City of Philadelphia, formerly known as District of Northern Liberties.

2. The merger into UGI of Allentown, Consumers, Harrisburg, Lancaster, Lebanon, Luzerne, and P.G.W., with UGI remaining as the surviving and continuing corporation, all as more particularly provided and set forth in the proposed Agreement of Merger (which is Exhibit A to the Plan), which Agreement of Merger is incorporated herein by reference, and, in connection therewith, the transfer to and vesting in UGI, as such surviving and continuing corporation, of all the rights, privileges and franchises theretofore vested in each of said constituent subsidiary corporations and all the estate and property, real and personal, and rights of action of each of said corporations, including the transfer to and acquisition by UGI of the securities owned by said corporations, which at present are as follows:

Owned By	Name of Security	Shares or Principal Amount
Consumers Gas Company...	Reading Gas Company Capital Stock..............	3,060 shares
Consumers Gas Company...	U. S. Treasury 2¼% Bonds due 6/15/59-62........	$10,000
Consumers Gas Company...	Berks County Trust Company Capital Stock........	1,500 shares
The Philadelphia Gas Works Company...............	U. S. Treasury Certificates of Indebtedness, 1⅞% Series "A" due 2/15/53........................	$300,000

3. The execution, delivery and recording by UGI and Fidelity-Philadelphia Trust Company, Trustee, of a UGI First Mortgage and Deed of Trust dated as of January 1, 1953, substantially in the form set forth as Exhibit B to said Plan, which Mortgage and Deed of Trust is incorporated herein by reference.

4. The surrender by the holders of all First Mortgage Bonds issued respectively by Allentown, Harrisburg and Luzerne and presently outstanding in the aggregate amount of $15,648,000 in the following respective amounts and series:

Company	Principal Amount	Series
Allentown-Bethlehem Gas Co..................	$2,172,000	3¾% (now 3%) Series due 1965
Allentown-Bethlehem Gas Co..................	1,455,000	3¼% Series due 1968
Allentown-Bethlehem Gas Co..................	1,500,000	3.348% Series due 1976
The Harrisburg Gas Company................	2,002,000	2⅝% Series due 1971
The Harrisburg Gas Company................	970,000	3⅛% Series due 1971
The Harrisburg Gas Company................	1,000,000	3.15% Series due 1976
Luzerne County Gas and Electric Corporation..	6,549,000	3¼% Series due 1966

to UGI in exchange for a like principal amount of First Mortgage Bonds issued by UGI of a series corresponding to the series surrendered, together with accrued interest, if any, on their Bonds up to the effective date of the merger, the acquisition and cancellation by UGI of the said First Mortgage Bonds issued respectively by Allentown, Harrisburg and Luzerne, the issuance and delivery of its First Mortgage Bonds and cash for accrued interest by UGI to such holders and the acquisition thereof by such holders in such exchange.

5. The satisfaction, cancellation, release and discharge by the respective trustees thereof of the various indentures of mortgage and the supplements thereto of Allentown, Harrisburg and Luzerne securing, respectively, the aforesaid outstanding bonds issued by said companies; the surrender by such trustees of the securities and/or cash, if any, held by them under the provisions of such indentures and supplements; the acquisition of such securities and/or cash by UGI, and the cancellation of such securities by UGI.

6. The surrender by the holders thereof to Harrisburg for the redemption price thereof ($110 per share plus an amount equal to accrued and unpaid dividends thereon to the redemption date) and the redemption, acquisition and cancellation by Harrisburg of 4,838 shares of the 4½% Preferred Stock of Harrisburg.

7. The surrender by the holders thereof to UGI of 25,000 shares of the 4¼% Preferred Stock of Luzerne in exchange for one share of the 4¼% Preferred Stock of UGI, plus accrued and unpaid dividends on their Luzerne 4¼% Preferred Stock up to the effective date of the merger, for each share of the Luzerne 4¼% Preferred Stock so surrendered, the acquisition and cancellation by UGI of said Luzerne's 4¼% Preferred Stock, the issuance and delivery by UGI of its 4¼% Preferred Stock and cash for such dividends to such holders and the acquisition thereof by such holders in such exchange.

8. The surrender by the holders thereof to UGI of their certificates of UGI Capital Stock in exchange for certificates representing a like number of shares of UGI Common Stock, the acquisition and cancellation by UGI of such certificates of UGI's Capital Stock, the issuance and delivery by UGI of certificates for such UGI Common Stock to such holders and the acquisition thereof by such holders in such exchange.

9. The cancellation by UGI of the following securities now owned by it:

Name of Issuing Company	Security	Shares
Allentown-Bethlehem Gas Company	Common Capital Stock	132,375
Consumers Gas Company	Capital Stock	140,085
The Harrisburg Gas Company	Common Stock	29,225
Lancaster County Gas Company	Capital Stock	50,000
Lebanon Valley Gas Company	Common Stock	19,800
Luzerne County Gas and Electric Corporation	Common Stock	176,694
The Philadelphia Gas Works Company	Capital Stock	50

10. The surrender by the holders thereof to UGI of the 80,787 shares of Consumers Capital Stock, not owned by UGI, in exchange for 8/10ths of a share of UGI Common Stock (and/or cash for fractional interests of less than one share) for each share of Consumers Capital Stock so surrendered, the acquisition and cancellation by UGI of such Consumers Capital Stock, the issuance and delivery of such UGI Common Stock and/or cash to such holders and the acquisition thereof by such holders in such exchange.

11. The surrender by the holders thereof to UGI of the 12,208 shares of Harrisburg Common Stock, not owned by UGI, in exchange for four shares of UGI Common Stock for each share of Harrisburg Common Stock so surrendered, the acquisition and cancellation by UGI of such Harrisburg Common Stock, the issuance and delivery of such UGI Common Stock to such holders and the acquisition thereof by such holders in such exchange.

12. The cancellation by UGI and its utility subsidiaries of all intercompany indebtedness owing by such subsidiaries to UGI; presently as follows:

Name of Debtor Subsidiary	Debt Represented By	Amount of Debt
Allentown-Bethlehem Gas Company............	Open book account...........	—
Consumers Gas Company.....................	4% Promissory Note.........	$ 875,000
Consumers Gas Company.....................	Open book account...........	1,455,000
The Harrisburg Gas Company..................	Open book account...........	1,270,000
Lancaster County Gas Company...............	Open book account...........	1,050,000
The Philadelphia Gas Works Company..........	Open book account...........	3,000,000

13. The cancellation by UGI of all its First Mortgage Bonds and of all shares of its 4¼% Preferred Stock and Common Stock reserved, respectively, for issuance on surrender by the holders thereof of the First Mortgage Bonds (referred to in 4 above), the 4¼% Preferred Stock of Luzerne (referred to in 7 above), the Capital Stock of Consumers and the Common Stock of Harrisburg (referred to in 10 and 11 above, respectively), which shall not have been surrendered in exchange therefor within the time limits specified in the Plan or in the court order enforcing the Plan; and the retention by UGI of the cash remaining in its hands reserved for payment on surrender by the holders of First Mortgage Bonds of subsidiary companies, of Luzerne's 4¼% Preferred Stock, and of Consumers Capital Stock and the Harrisburg Common Stock which shall not have been surrendered in exchange therefor within the time limits specified in the Plan or in the court order enforcing the Plan.

14. The disposition by sale or otherwise by UGI of the following securities which it owns:

Name of Company	Security	Shares or Amount
Central Illinois Light Company................	Common Stock.............	35,340 shs.
Consumers Power Company..................	Common Stock.............	63,612 shs.
Delaware Power & Light Company.............	Common Stock.............	37,355 shs.
Niagara Mohawk Power Corporation...........	Common Stock.............	159,500 shs.
Philadelphia Electric Company.................	Common Stock.............	16,543 shs.
Public Service Electric and Gas Company........	Preference Common.........	36,801 shs.
Public Service Electric and Gas Company........	Common Stock.............	4,861 shs.

It is further Ordered that the proposed acquisition by UGI of 1,459 shares of the capital stock of Consumers Gas Company from Drexel & Co., be, and hereby is, approved.

By the Commission.

Orval L. DuBois
Secretary

(SEAL)

MERGER AGREEMENT

AGREEMENT FOR THE MERGER OF ALLENTOWN-BETHLEHEM GAS COMPANY, CONSUMERS GAS COMPANY, THE HARRISBURG GAS COMPANY, LANCASTER COUNTY GAS COMPANY, LEBANON VALLEY GAS COMPANY, LUZERNE COUNTY GAS AND ELECTRIC CORPORATION AND THE PHILADELPHIA GAS WORKS COMPANY WITH AND INTO THE UNITED GAS IMPROVEMENT COMPANY, AS THE SURVIVING CORPORATION.

DATED AS OF DECEMBER 31, 1952

AGREEMENT OF MERGER made and entered into as of the 31st day of December, 1952, by and among ALLENTOWN-BETHLEHEM GAS COMPANY (hereinafter called "Allentown-Bethlehem"), Cyrus S. Fleck, John A. Frick, James W. Fuller, 4th, Fred B. Hofft, Henry T. Koch, Russell K. Laros, W. E. Long, L. P. Neuweiler and F. J. Rutledge, the Directors thereof; CONSUMERS GAS COMPANY (hereinafter called "Consumers"), Jere H. Barr, Wellington M. Bertolet, Stanley Bright, John S. Giles, Fred B. Hofft, Irvin F. Impink, W. E. Long, F. J. Rutledge and A. C. Taylor, the Directors thereof; THE HARRISBURG GAS COMPANY (hereinafter called "Harrisburg"), George R. Bailey, Fred B. Hofft, Ritchie Lawrie, Jr., W. E. Long, Leonard B. Richards and F. J. Rutledge, the Directors thereof; LANCASTER COUNTY GAS COMPANY (hereinafter called "Lancaster"), Kenneth B. Anderson, Fred B. Hofft, W. E. Long, Andrew S. Morgan and M. H. Parkinson, the Directors thereof; LEBANON VALLEY GAS COMPANY (hereinafter called "Lebanon"), John S. Bashore, Keefer L. Baum, Fred B. Hofft, Gideon R. Kreider, Jr., W. E. Long, F. J. Rutledge and Charles B. Webb, the Directors thereof; LUZERNE COUNTY GAS AND ELECTRIC CORPORATION (hereinafter called "Luzerne"), Fred B. Hofft, W. E. Long, M. H. Parkinson, F. J. Rutledge and Charles E. Warsaw, the Directors thereof; THE PHILADELPHIA GAS WORKS COMPANY (hereinafter called "Philadelphia"), H. Bruce Andersen, Thomas S. Lever, W. G. Murfit, Hudson W. Reed, F. J. Rutledge and Frank H. Trembly, the Directors thereof; and THE UNITED GAS IMPROVEMENT COMPANY (hereinafter called "U.G.I."), Wm. W. Bodine, Frederick R. Drayton, John A. Frick, W. E. Long, Benjamin F. Pepper, Hudson W. Reed, Leonard B. Richards, T. Leaming Smith and Clarence A. Warden, Jr., the Directors thereof; each of the companies named above being a corporation duly organized and existing under the laws of the Commonwealth of Pennsylvania.

WHEREAS, Allentown-Bethlehem:

(a) is a merged and consolidated corporation duly organized under "An Act authorizing the merger and consolidation of certain corporations" approved May 3, 1909 and the supplements and amendments thereto by Agreement of Merger and Consolidation dated June 23, 1930 by and among Allentown-Bethlehem Gas Company, East Penn Gas Light Company, and Highland Gas Company, Letters Patent having been duly granted September 9, 1930;

(b) is duly possessed of the right to manufacture and supply gas to the public in certain cities, boroughs and townships within the Counties of Bucks, Lehigh and Northampton, Pennsylvania, as more particularly described in (i) said Agreement by and among Allentown-Bethlehem Gas Company, East Penn Gas Light Company, and Highland Gas Company dated June 23, 1930 and the Agreements of Merger and Consolidation forming said constituent corporations, all of which Agreements are duly filed in the Office of the Secretary of the Commonwealth of Pennsylvania, and (ii) Indentures dated November 10, 1931, January 18, 1945 and January 24, 1945 by which Allentown-Bethlehem acquired respectively all the property and franchises of Silverdale Gas Company, Hamburg Gas Company, and Northampton County Gas Company, said Indentures being recorded respectively in the Office for Recording of Deeds in and for Bucks County in Deed Book No. 602, page 557, in the Office for Recording of Deeds in and for Berks County in Deed Book No. 908, page 387, and in the Office for Recording of Deeds in and for Northampton County in Miscellaneous Book No. 103, page 16;

(c) has an authorized capital stock of 200,000 Common capital shares each having a par value of $50, or $10,000,000 in the aggregate, of which 132,375 shares, or $6,618,750 in the aggregate, are issued and outstanding; and

(d) has an authorized indebtedness of $10,000,000 and has First Mortgage Bonds issued and outstanding consisting of $2,172,000 of 3¾% Series (reduced to 3% effective March 1, 1947) due September 1, 1965, $1,455,000 of 3¼% Series due December 1, 1968, and $1,500,000 of 3.348% Series due June 1, 1976, or $5,127,000 in the aggregate;

AND WHEREAS, Consumers:

(a) is a merged and consolidated corporation duly organized under "An Act authorizing the merger and consolidation of certain corporations" approved May 3, 1909 by Agreement of Merger and Consolidation dated February 27, 1913 by and between Birdsboro Gas Company and The Consumers Gas Company, Letters Patent having been duly granted March 20, 1913;

(b) is duly possessed of the right to manufacture and supply gas to the public in the City of Reading and in certain boroughs and townships within the County of Berks, Pennsylvania, as more particularly described in (i) said Agreement dated February 27, 1913, which has been duly filed in the Office of the Secretary of the Commonwealth of Pennsylvania, and (ii) an Indenture dated May 9, 1950 by which Consumers acquired all the property and franchises of Lancaster-Consumers Gas Company, said Indenture being recorded in the Office for Recording of Deeds in and for Lancaster County in Deed Book W, Volume 40, page 10;

(c) has an authorized capital stock of 280,000 shares each having a par value of $25, or $7,000,000 in the aggregate, of which 220,872 shares, or $5,521,800 in the aggregate, are issued and outstanding; and

(d) has an authorized indebtedness of $5,000,000 and has issued and outstanding a 4% Promissory Note in the principal amount of $875,000 to U.G.I., due September 1, 1953;

AND WHEREAS, Harrisburg:

(a) is a merged and consolidated corporation duly organized under "An Act authorizing the merger and consolidation of certain corporations" approved May 3, 1909 and the supplements and amendments thereto by Agreement of Merger and Consolidation dated July 28, 1924 by and between Harrisburg Gas Company and Dauphin County Gas Company, Letters Patent having been duly granted October 2, 1924;

(b) is duly possessed of the right to manufacture and supply gas to the public in the City of Harrisburg and in certain boroughs and townships within the Counties of Cumberland, Dauphin, and Lancaster, and in one township within the County of York, Pennsylvania, as more particularly described in (i) said Agreement by and between Harrisburg Gas Company and Dauphin County Gas Company dated July 28, 1924 and the Agreements of Merger and Consolidation forming said constituent corporations, all of which Agreements are duly filed in the Office of the Secretary of the Commonwealth of Pennsylvania, and (ii) Indentures dated January 18, 1945, February 1, 1949, May 4, 1950 and September 20, 1951 by which Harrisburg acquired respectively all the property and franchises of Elizabethtown and Marietta Gas Company, Cumberland Valley Gas Company, Cumberland County Gas Company, and Central Cumberland Gas Company, said Indentures being recorded respectively in the Office for Recording of Deeds in and for Lancaster County in Deed Book A, Volume 37, page 207, in the Office for Recording of Deeds in and for Cumberland County in Deed Book A, Volume 14, page 112, in said Office in Miscellaneous Book 92, page 466, and in said Office in Deed Book U, Vol. 14, page 253.

(c) has an authorized capital stock of 25,000 shares of Preferred Stock each having a par value of $100 per share, or $2,500,000 in the aggregate, of which 5,000 shares have been established as a series and designated as 4½% Preferred Stock and 4,838 shares thereof, or $483,800 in the aggregate, are issued and outstanding, and of 60,000 Common shares, no par value, of which 41,433 shares, with a stated capital of $3,342,262 in the aggregate, are issued and outstanding; and

(d) has an authorized indebtedness of $10,000,000, and has issued and outstanding First Mortgage Bonds to the extent of $2,002,000 of 2⅝% Series due May 1, 1971, $970,000 of 3⅛% Series due May 1, 1971, and $1,000,000 of 3.15% Series due May 1, 1976, or $3,972,000 in the aggregate;

AND WHEREAS, Lancaster:

(a) was duly incorporated under "An Act to provide for the incorporation and regulation of certain corporations" approved April 29, 1874 and the supplements and amendments thereto, by Letters Patent duly granted January 20, 1949;

(b) is duly possessed of the right to manufacture and supply gas to the public in the City of Lancaster and in certain boroughs and townships within the County of Lancaster, Pennsylvania, as more particularly described in its Charter duly filed in the Office of the Secretary of the Commonwealth of Pennsylvania; and

(c) has an authorized and outstanding capital stock of 50,000 shares each having a par value of $50, or $2,500,000 in the aggregate;

AND WHEREAS, Lebanon:

(a) is a merged and consolidated corporation duly organized under "An Act authorizing the merger and consolidation of certain corporations" approved May 3, 1909 and the supplements and amendments thereto, by Agreement of Merger and Consolidation dated December 22, 1925 by and among Lebanon Gas & Fuel Company, Annville and Palmyra Gas and Fuel Company, and Hummelstown Gas & Fuel Company, Letters Patent having been duly granted October 1, 1926;

(b) is duly possessed of the right to manufacture and supply gas to the public in the City of Lebanon and one borough and certain townships within the County of Lebanon and in one borough and certain townships within the County of Dauphin, Pennsylvania, as more particularly described in (i) said Agreement dated December 22, 1925, which has been duly filed in the Office of the Secretary of the Commonwealth of Pennsylvania, and (ii) Indentures dated March 24, 1930 and June 16, 1931 by which Lebanon acquired respectively all the property and franchises of South Londonderry Township Gas Company and Myerstown Gas & Fuel Company, said Indentures being recorded respectively in the Office for Recording of Deeds in and for Lebanon County in Corporation Deed Book, Volume 6, page 109, and in said Office and Book at page 287; and

(c) has an authorized capital stock of 8,000 Preferred shares, each having a par value of $50, or $400,000 in the aggregate, no such shares being now outstanding (but 3,158 of such shares having been issued and redeemed and now held as Treasury shares), and of 20,000 Common shares, each having a par value of $50, or $1,000,000 in the aggregate, of which 19,800 shares, or $990,000 in the aggregate, are issued and outstanding;

AND WHEREAS, Luzerne:

(a) is a merged and consolidated corporation duly organized under "An Act authorizing the merger and consolidation of certain corporations", approved May 3, 1909 and the supplements and amendments thereto, by Agreement of Merger and Consolidation dated as of September 1, 1924 by and among Luzerne County Gas & Electric Company, Luzerne County Gas and Electric Corporation, Ross Township Electric Co., New Columbus Electric Company, Fairmount Township Electric Co., and Huntington Township Electric Company, Letters Patent having been duly granted December 22, 1924;

(b) is duly possessed of the right to manufacture and supply gas and electricity to the public in certain cities, boroughs, and townships within the County of Luzerne, Pennsylvania, as more particularly described in said Agreement dated as of September 1, 1924 and in the Agreements of Merger and Consolidation dated June 22, 1911 and as of November 1, 1922 forming the two constituent corporations, each known as Luzerne County Gas & Electric Company, all of which Agreements are duly filed in the Office of the Secretary of the Commonwealth of Pennsylvania;

(c) has an authorized capital stock of 36,000 shares of Preferred Stock each having a par value of $100, or $3,600,000 in the aggregate, of which 25,000 shares have been established as a series and designated as 4¼% Preferred Stock, or $2,500,000 in the aggregate, all of which 25,000 shares are issued and outstanding, and of 176,694 Common shares, no par value, all of which are issued and outstanding, with a stated capital of $4,417,350 in the aggregate; and

(d) has an authorized indebtedness of $100,000,000, and has issued and outstanding $6,549,000 of First Mortgage Bonds, 3¼% Series due January 1, 1966;

AND WHEREAS, Philadelphia:

(a) was duly incorporated under "An Act to provide for the incorporation and regulation of certain corporations" approved April 29, 1874 and the supplements and amendments thereto, by Letters Patent duly granted July 14, 1927;

(b) is duly possessed of the right to manufacture and supply gas to the public in the City and County of Philadelphia, Pennsylvania, as more particularly described in its Charter duly filed in the Office of the Secretary of the Commonwealth of Pennsylvania;

(c) has an authorized and outstanding capital stock of 50 shares each having a par value of $100, or $5,000 in the aggregate; and

(d) has an authorized indebtedness of $10,000,000 and has issued and outstanding Promissory Notes in the aggregate principal amount of $2,000,000 to banks, payable in installments, the last installment being due July 1, 1955;

AND WHEREAS, U.G.I.:

(a) is a merged and consolidated corporation duly organized under "An Act authorizing the merger and consolidation of certain corporations" approved May 3, 1909 and the supplements and amendments thereto by Agreement of Merger and Consolidation dated May 4, 1925 by and between The United Gas Improvement Company and The American Gas Company, Letters Patent having been duly granted August 21, 1925;

(b) is duly possessed of the right to manufacture and supply gas to the public as more particularly described in said Agreement dated May 4, 1925, which has been duly filed in the Office of the Secretary of the Commonwealth of Pennsylvania; and

(c) has an authorized capital stock of 2,414,759 shares each having a par value of $13.50, or $32,599,246.50 in the aggregate, of which there have been issued 1,239,959 shares, there are presently held in the U.G.I. treasury 9,219 shares, and there are now outstanding 1,230,740 shares, or an aggregate of $16,614,990;

AND WHEREAS, each and every of the corporations, parties hereto, may, as recited above, transact the same or a similar line of business and are so doing;

AND WHEREAS, U.G.I. owns, with power to vote, more than fifty per centum of the outstanding voting stock of each of the other parties hereto, namely Allentown-Bethlehem, Consumers, Harrisburg, Lancaster, Lebanon, Luzerne, and Philadelphia;

AND WHEREAS, it is the desire of all the parties hereto that Allentown-Bethlehem, Consumers, Harrisburg, Lancaster, Lebanon, Luzerne, and Philadelphia be merged with and into U.G.I. as the surviving corporation as provided by "An Act to provide for the merger and consolidation of certain corporations" approved May 3, 1909 and the various supplements and amendments thereto and by such other laws of the Commonwealth of Pennsylvania as may be thereunto applicable;

Now, THEREFORE, THIS AGREEMENT WITNESSETH that the parties hereto, in consideration of the premises and of the terms and conditions hereinafter set forth and of other good and valuable considerations, have mutually agreed and do hereby mutually agree, pursuant to said Act of May 3, 1909 and the various supplements and amendments thereto, that, effective as of the close of business on December 31, 1952, Allentown-Bethlehem, Consumers, Harrisburg, Lancaster, Lebanon, Luzerne, and Philadelphia shall be merged with and into U.G.I. which shall be the surviving corporation, and all the rights, privileges and franchises (except to the extent hereinafter otherwise provided) and all the estate and property now vested in each of the parties hereto so merged shall be possessed by and vested in U.G.I. as the surviving corporation under the following terms and conditions and with the following mode of carrying said merger into effect:

1. The name, style and title of the corporation surviving from said merger shall be The United Gas Improvement Company, hereinafter called "the Company".

2. The number of the first Directors of the Company as the surviving corporation shall be nine and their names and addresses shall be:

Name	Address
Wm. W. Bodine	530 Walnut Street, Philadelphia, Pa.
Frederick R. Drayton	1528 Walnut Street, Philadelphia, Pa.
John A. Frick	516 Hamilton Street, Allentown, Pa.
Walter E. Long	1401 Arch Street, Philadelphia, Pa.
Benjamin F. Pepper	655 Madison Avenue, New York, N. Y.
Hudson W. Reed	1401 Arch Street, Philadelphia, Pa.
Leonard B. Richards	14 South Market Square, Harrisburg, Pa.
T. Leaming Smith	401 Woodbine Avenue, Narberth, Pa.
Clarence A. Warden, Jr.	910 Witherspoon Building, Philadelphia, Pa.

who shall continue to serve until their successors are duly elected and qualified pursuant to the By-Laws of the Company.

3. The number of the first Officers of the Company as the surviving corporation shall be eight and their names, titles and addresses shall be:

Name	Title	Address
Walter E. Long	President	1401 Arch Street, Philadelphia, Pa.
Fred B. Hofft	Vice-President	1401 Arch Street, Philadelphia, Pa.
Hudson W. Reed	Vice-President	1401 Arch Street, Philadelphia, Pa.
M. H. Parkinson	Vice-President and Comptroller	1401 Arch Street, Philadelphia, Pa.
Johns Hopkins	Secretary and Treasurer	1401 Arch Street, Philadelphia, Pa.
Earnest MacMorris	Assistant Treasurer	1401 Arch Street, Philadelphia, Pa.
Joseph B. Townsend	Assistant Treasurer	1401 Arch Street, Philadelphia, Pa.
J. H. Mackenzie	Assistant Secretary	1401 Arch Street, Philadelphia, Pa.

who shall continue to serve until their successors are duly elected and qualified, under the conditions specified by the By-Laws of the Company.

4. The Directors shall be elected annually by the stockholders entitled to vote therefor at the time and place prescribed in the By-laws for holding the annual meeting and in the manner prescribed by law and by the By-laws, and shall serve for one year and until their successors are duly elected and qualified.

The Directors shall meet after each annual meeting of the stockholders, and shall choose such officers as may be authorized and directed by the By-Laws of the Company and deemed necessary, who shall serve for one year and until their successors are duly elected and qualified.

5. The principal office of the Company shall be located at 1401 Arch Street, Philadelphia, Pennsylvania, until such time as it may be changed by proper corporate action duly taken.

6. The By-Laws of U.G.I., party hereto, shall be the By-Laws of the Company, except that Article XV relating to amendments shall be amended to read as follows:

> "Section 1. These By-Laws, except as provided below, may be amended, repealed or added to from time to time, by a vote of a majority of the Board of Directors at any regular meeting, or at any special meeting, when notice of the proposed amendment, repeal or addition shall have been given in the call for such special meeting. Such action by the Board of Directors is subject, however, to the general right of the stockholders to amend or repeal any provision of these By-Laws whether made, amended, repealed or added to by the Board of Directors or otherwise. The provisions of Article I of these By-Laws may only be amended, repealed or added to by the stockholders."

7. The authorized capital stock of the Company shall consist of 50,000 shares of Preferred stock each having a par value of $100, including a series of 25,000 shares of 4¼% Preferred stock, or $5,000,000 in the aggregate, and 2,414,759 shares of Common stock each having a par value of $13.50, or $32,599,246.50 in the aggregate.

The designations, terms, relative rights, privileges, limitations, preferences and voting powers, and the prohibitions, restrictions, and qualifications of the voting and other rights and powers of the shares of the Preferred Stock and the Common Stock of the Company shall be those set forth in Appendix A hereto attached and made part hereof.

The authorized shares of stock of the Company not needed in converting the stock of the corporations, parties hereto, into that of the Company may be issued and disposed of from time to time by the Board of Directors of the Company to such persons and upon such terms and conditions as in their absolute discretion they may deem advisable, but in no event at less than the par value thereof; except as may be otherwise provided by paragraph 14 of Appendix A hereto attached.

8. Each share of the capital stock of Lancaster and Philadelphia and each share of the Common capital stock of Allentown-Bethlehem, Lebanon and Luzerne outstanding when the merger becomes effective shall thereupon be cancelled, and no securities of the Company shall be issued in lieu thereof.

Each share of the capital stock of Consumers which is owned by U.G.I. when the merger becomes effective shall thereupon be cancelled, and no securities of the Company shall be issued in lieu thereof.

Each share of the capital stock of Consumers owned by others than U.G.I. when the merger becomes effective shall thereupon be surrendered and cancelled and in lieu and in stead thereof the holders of such stock shall receive 8/10ths of a share of the Common capital stock, par value $13.50 per share, of the Company for each share of the capital stock of Consumers held by them, provided, however, that those holders of such stock who would be entitled to a fractional share of the Common capital stock of the Company, shall receive in lieu of such fractional share cash determined as follows: The average of the daily closing sales price of the Common capital stock of the Company (bid price, if no sales are made) on the New York Stock Exchange for the period of one calendar week immediately following the effective date of the merger shall be considered the value of a whole share of the Common capital stock of the Company, which value per share shall be used as the basis for computing the value of fractional shares and the amount of cash to be distributed in lieu thereof.

Each share of the Common capital stock of Harrisburg which is owned by U.G.I. when the merger becomes effective shall thereupon be cancelled, and no securities of the Company shall be issued in lieu thereof.

Each share of the Common capital stock of Harrisburg owned by others than U.G.I. when the merger becomes effective shall thereupon be surrendered and cancelled and in lieu and in stead thereof the holders of such stock shall receive four shares of the Common capital stock, par value $13.50 per share, of the Company for each share of the Common capital stock of Harrisburg held by them.

Stockholders of U.G.I. shall continue to be such stockholders and enjoy all their rights and privileges as such without surrendering their present certificates of U.G.I. Capital Stock, provided however, stockholders may, after the merger agreement becomes effective, surrender their present certificates and receive in exchange therefor certificates representing a like number of shares of new Common Stock of U.G.I.

9. Each share of the 4½% Preferred stock of Harrisburg, par value $100 per share, outstanding when the merger becomes effective shall thereupon be redeemed at $110 per share plus an amount equal to accrued and unpaid dividends thereon, in accordance with the provisions of the contract between Harrisburg and the holders of said Preferred stock specifying the terms and conditions of the issuance thereof by Harrisburg.

Each share of the 4¼% Preferred stock of Luzerne, par value $100 per share, outstanding when the merger becomes effective shall thereupon be surrendered and cancelled, and in lieu and in stead thereof the holders of such stock shall receive one share of the 4¼% Preferred stock of the Company, par value $100 per share, having the rights, privileges, limitations, preferences, and voting powers set forth in Appendix A hereto, plus accrued and unpaid dividends to the effective date of the merger on the shares surrendered, for each share of such Preferred stock of Luzerne held by them.

10. After the merger becomes effective, (i) all certificates representing shares of the capital stock of Lancaster and Philadelphia, of the Common capital stock of Allentown-Bethlehem, Lebanon, and Luzerne, and of the capital stock of Consumers and Common capital stock of Harrisburg owned by U.G.I. when the merger becomes effective shall represent no rights whatsoever; (ii) all certificates representing shares of the capital stock of Consumers and of the Common capital stock of Harrisburg owned when the merger becomes effective by others than U.G.I. shall represent no rights other than the rights of the holders thereof to receive, on surrender and cancellation thereof as set forth in paragraph 8 above, the shares of the Common capital stock of the Company or cash therein stated as the exchange therefor; and (iii) all certificates representing shares of the Preferred stock of Luzerne outstanding when the merger becomes effective shall represent no rights other than the rights of the holders thereof to receive, on surrender and cancellation thereof as set forth in paragraph 9 above, the shares of Preferred stock of the Company therein stated as the exchange therefor. All other rights of all such stockholders shall, when the merger becomes effective, cease, determine and become void.

The Company may in its discretion appoint an exchange agent or agents in connection with the distribution of the securities and/or cash provided for in paragraphs 8 and 9 above, and may deposit with such exchange agent or agents the stock certificates and/or cash distributable upon surrender of the securities cancelled as aforesaid when the merger becomes effective, together with dividends paid upon shares of the Preferred and Common capital stock of the Company, which dividends shall be held without interest for the persons who shall be entitled to receive the stock to which such dividends relate. Any stock or cash remaining in the hands of the Company or the exchange agent or agents at the expiration of five (5) years after the effective date of the merger (other than Common capital stock of the Company held for exchange for U.G.I. capital stock) will become the property of the Company as a capital contribution thereto and the persons then otherwise entitled to such stock (other than Common capital stock of the Company as aforesaid) shall thereafter have no right to or claim against the Company or any other persons whatsoever with respect thereto.

11. The charter power of U.G.I. to contract with others to build, construct or maintain any work, public or private, and all rights, privileges and franchises pertaining thereto, shall be surrendered upon consummation of the merger in order that the Company (as the surviving corporation) shall not be authorized to transact dissimilar lines of business.

12. The assets and liabilities of each of Allentown-Bethlehem, Consumers, Harrisburg, Lancaster, Lebanon, Luzerne, and Philadelphia shall be taken up on the books of the Company at the amounts at which they are respectively carried on the books of each such constituent corporation when the merger becomes effective, except that inter-company indebtedness existing at that time between any such constituent corporation and U.G.I. and the items of capitalization (exclusive of earned surplus) of each such constituent corporation shall be eliminated. The books of U.G.I. shall remain and be the books of the Company.

The aggregate amount of the net assets of all the corporations, parties hereto, which shall be available for the payment of dividends immediately prior to the merger, to the extent that the value thereof is not capitalized by this Agreement, shall continue to be available for the payment of dividends by the Company thereafter.

13. The authorized indebtedness of the Company of the type required to be authorized by its stockholders shall, after the merger becomes effective, be in the amount of $135,000,000, said amount representing the aggregate of the authorized indebtedness heretofore authorized by the stockholders of certain of the corporations, parties hereto, as recited above. Said authorized indebtedness of the Company may from time to time be increased pursuant to law.

14. This Agreement shall be submitted to the stockholders of each of the corporations, parties hereto, at separate special meetings, or at any annual meetings, of the time, place, and object of which respective meetings written notice shall not less than ten (10) days before any such annual or special meeting be given to each stockholder of record of each such corporation. At said meetings this Agreement shall be considered and a vote of the stockholders in person or by proxy shall be taken by ballot for the adoption or rejection of the same, each share of stock entitling the holder thereof to one (1) vote. If a majority in amount of the entire capital stock of each of said corporations, parties hereto, shall vote in favor of this Agreement, then that fact shall be certified by the Secretary of each corporation under the corporate seal thereof and such certificates, together with one of the originals of this Agreement, or a copy thereof, and a certificate or certificates from the proper department or departments evidencing payment by each such corporation other than U.G.I. of all bonus, taxes, and other charges as required by law, shall be delivered to the Department of State of the Commonwealth of Pennsylvania.

Upon the filing of the foregoing and compliance with any other applicable provisions of law, and upon approval of this Agreement by said Department of State, the said merger shall be deemed to have taken place and the said corporations, parties hereto, to be one corporation, namely The United Gas Improvement Company, which Surviving Corporation shall possess all the rights, privileges and franchises theretofore vested in each of said constituent corporations except to the extent provided in paragraph 11 above and all the estate and property, real and personal, and rights of action of each of said corporations shall be deemed and taken to be transferred to and vested in The United Gas Improvement Company as the Surviving Corporation without any further act or deed.

It is the intention of the parties hereto that the franchise privileges of said Surviving Corporation shall coincide with the aggregate of the franchise privileges of each of the constitutuent corporations, parties hereto, as the same shall exist when the merger becomes effective. It is the further intention of the parties hereto that the said merger shall become effective at the close of business on December 31, 1952 and that the original or copy of this Agreement and the certificates referred to in this paragraph 14 be delivered to the Department of State of the Commonwealth of Pennsylvania at such time as will ensure its approval of this Agreement as of said date and time.

15. If at any time the Surviving Corporation shall deem or be advised that any further transfers, assignments, assurances in law or other acts or things are necessary or desirable to vest or confirm in the Surviving Corporation the title to any property or assets of any of the merged corporations, each such merged corporation and the proper officers and directors thereof shall and will execute any and all such proper transfers, assignments, conveyances, assurances in law, and do all other acts and things necessary or proper to vest or confirm title to such property and assets in the Surviving Corporation and otherwise to carry out the purposes and intent of this Agreement.

16. All expenses incident to completion of the merger contemplated by this Agreement shall be paid by the Company.

In Witness Whereof, the parties hereto have duly executed these presents as of the day and year first above written.

Allentown-Bethlehem Gas Company,

Attest: By

....

(seal) Secretary. President.

....(seal)
Cyrus S. Fleck

....(seal)
John A. Frick

....(seal)
James W. Fuller, 4th

....(seal)
Fred B. Hofft

....(seal)
Henry T. Koch

....(seal)
Russell K. Laros

....(seal)
W. E. Long

....(seal)
L. P. Neuweiler

....(seal)
F. J. Rutledge

Directors.

CONSUMERS GAS COMPANY,

Attest: By

....

(SEAL) Secretary. President.

....(SEAL)
Jere H. Barr

....(SEAL)
Wellington M. Bertolet

....(SEAL)
Stanley Bright

....(SEAL)
John S. Giles

....(SEAL)
Fred B. Hofft

....(SEAL)
Irvin F. Impink

....(SEAL)
W. E. Long

....(SEAL)
F. J. Rutledge

....(SEAL)
A. C. Taylor

Directors.

THE HARRISBURG GAS COMPANY,

Attest: By

....

(SEAL) Secretary. President.

....(SEAL)
George R. Bailey

....(SEAL)
Fred B. Hofft

....(SEAL)
Ritchie Lawrie, Jr.

....(SEAL)
W. E. Long

....(SEAL)
Leonard B. Richards

....(SEAL)
F. J. Rutledge

Directors.

LANCASTER COUNTY GAS COMPANY,

Attest: By

(SEAL) Secretary. President.

(SEAL)
Kenneth B. Anderson

(SEAL)
Fred B. Hofft

(SEAL)
W. E. Long

(SEAL)
Andrew S. Morgan

(SEAL)
M. H. Parkinson

Directors.

LEBANON VALLEY GAS COMPANY,

Attest: By

(SEAL) Secretary. President.

(SEAL)
John S. Bashore

(SEAL)
Keefer L. Baum

(SEAL)
Fred B. Hofft

(SEAL)
Gideon R. Kreider, Jr.

(SEAL)
W. E. Long

(SEAL)
F. J. Rutledge

(SEAL)
Charles B. Webb

Directors.

LUZERNE COUNTY GAS AND ELECTRIC CORPORATION,

Attest:

By

(SEAL) Secretary.

President.

(SEAL)
Fred B. Hofft

(SEAL)
W. E. Long

(SEAL)
M. H. Parkinson

(SEAL)
F. J. Rutledge

(SEAL)
Charles E. Warsaw

Directors.

THE PHILADELPHIA GAS WORKS COMPANY,

Attest:

By

(SEAL) Secretary.

President.

(SEAL)
H. Bruce Andersen

(SEAL)
Thomas S. Lever

(SEAL)
W. G. Murfit

(SEAL)
Hudson W. Reed

(SEAL)
F. J. Rutledge

(SEAL)
Frank H. Trembly

Directors.

THE UNITED GAS IMPROVEMENT COMPANY,

Attest: By

....

(SEAL) Secretary. President.

....(SEAL)
Wm. W. Bodine

....(SEAL)
Frederick R. Drayton

....(SEAL)
John A. Frick

....(SEAL)
W. E. Long

....(SEAL)
Benjamin F. Pepper

....(SEAL)
Hudson W. Reed

....(SEAL)
Leonard B. Richards

....(SEAL)
T. Leaming Smith

....(SEAL)
Clarence A. Warden, Jr.

Directors.

Commonwealth of Pennsylvania } SS.
County of Philadelphia }

On this day of , 1952, before me, the subscriber, a notary public in and for said County and Commonwealth, personally came Johns Hopkins, Secretary of Allentown-Bethlehem Gas Company, and who is personally known to me; and he, being by me duly sworn, did depose and say that he is and at the time of execution of said instrument was the Secretary of the said Company; that he knows the corporate seal of said Company and that the seal affixed to the foregoing instrument as such is said corporate seal; that the foregoing instrument was duly sealed and delivered by John A. Frick, President of said Company, as and for the act and deed of said Company for the uses and purposes therein mentioned, by order of the Board of Directors of said Company; that the names of the said John A. Frick as President and of Johns Hopkins as Secretary of said Company, subscribed to the foregoing instrument in attestation of its due execution and delivery are of their and each of their respective handwritings; and that the persons who executed the foregoing instrument as Directors of said Company are in fact all the Directors of said Company.

....
Johns Hopkins

Sworn to and subscribed before me the day and year aforesaid.

....
Notary Public.

My Commission expires

Commonwealth of Pennsylvania } SS.
County of Lehigh }

On this day of September, 1952, before me, the subscriber, a notary public in and for said County and Commonwealth, personally appeared Cyrus S. Fleck, John A. Frick, James W. Fuller, 4th, Fred B. Hofft, Henry T. Koch, Russell K. Laros, W. E. Long, L. P. Neuweiler and F. J. Rutledge, Directors of Allentown-Bethlehem Gas Company, to me severally known to be persons described in, and who severally executed the foregoing instrument, who in due form of law acknowledged the same to be their act and deed as Directors of Allentown-Bethlehem Gas Company, to the end that the same might be recorded as such.

Witness my hand and notarial seal the day and year above written.

....
Notary Public.

My Commission expires

COMMONWEALTH OF PENNSYLVANIA }
COUNTY OF PHILADELPHIA } SS.

On this day of , 1952, before me, the subscriber, a notary public in and for said County and Commonwealth, personally came Johns Hopkins, Secretary of CONSUMERS GAS COMPANY, and who is personally known to me; and he, being by me duly sworn, did depose and say that he is and at the time of execution of said instrument was the Secretary of the said Company; that he knows the corporate seal of said Company and that the seal affixed to the foregoing instrument as such is said corporate seal; that the foregoing instrument was duly sealed and delivered by A. C. Taylor, President of said Company, as and for the act and deed of said Company for the uses and purposes therein mentioned, by order of the Board of Directors of said Company; that the names of the said A. C. Taylor as President and of Johns Hopkins as Secretary of said Company, subscribed to the foregoing instrument in attestation of its due execution and delivery are of their and each of their respective handwritings; and that the persons who executed the foregoing instrument as Directors of said Company are in fact all the Directors of said Company.

....
Johns Hopkins

Sworn to and subscribed before me the day and year aforesaid.

....
Notary Public.

My Commission expires

COMMONWEALTH OF PENNSYLVANIA }
COUNTY OF BERKS } SS.

On this day of September, 1952, before me, the subscriber, a notary public in and for said County and Commonwealth, personally appeared Jere H. Barr, Wellington M. Bertolet, Stanley Bright, John S. Giles, Fred B. Hofft, Irvin F. Impink, W. E. Long, F. J. Rutledge and A. C. Taylor, Directors of CONSUMERS GAS COMPANY, to me severally known to be persons described in, and who severally executed the foregoing instrument, who in due form of law acknowledged the same to be their act and deed as Directors of CONSUMERS GAS COMPANY, to the end that the same might be recorded as such.

Witness my hand and notarial seal the day and year above written.

....
Notary Public.

My Commission expires

Commonwealth of Pennsylvania } SS.
County of Philadelphia }

On this day of , 1952, before me, the subscriber, a notary public in and for said County and Commonwealth, personally came Johns Hopkins, Secretary of The Harrisburg Gas Company, and who is personally known to me; and he, being by me duly sworn, did depose and say that he is and at the time of execution of said instrument was the Secretary of the said Company; that he knows the corporate seal of said Company and that the seal affixed to the foregoing instrument as such is said corporate seal; that the foregoing instrument was duly sealed and delivered by Leonard B. Richards, President of said Company, as and for the act and deed of said Company for the uses and purposes therein mentioned, by order of the Board of Directors of said Company; that the names of the said Leonard B. Richards as President and of Johns Hopkins as Secretary of said Company, subscribed to the foregoing instrument in attestation of its due execution and delivery are of their and each of their respective handwritings; and that the persons who executed the foregoing instrument as Directors of said Company are in fact all the Directors of said Company.

....
Johns Hopkins

Sworn to and subscribed before me the day and year aforesaid.

....
Notary Public.

My Commission expires

Commonwealth of Pennsylvania } SS.
County of Dauphin }

On this day of September, 1952, before me, the subscriber, a notary public in and for said County and Commonwealth, personally appeared George R. Bailey, Fred B. Hofft, Ritchie Lawrie, Jr., W. E. Long, Leonard B. Richards and F. J. Rutledge, Directors of The Harrisburg Gas Company, to me severally known to be persons described in, and who severally executed the foregoing instrument, who in due form of law acknowledged the same to be their act and deed as Directors of The Harrisburg Gas Company, to the end that the same might be recorded as such.

Witness my hand and notarial seal the day and year above written.

....
Notary Public.

My Commission expires

COMMONWEALTH OF PENNSYLVANIA }
COUNTY OF PHILADELPHIA } SS.

On this day of , 1952, before me, the subscriber, a notary public in and for said County and Commonwealth, personally came Johns Hopkins, Secretary of LANCASTER COUNTY GAS COMPANY, and who is personally known to me; and he, being by me duly sworn, did depose and say that he is and at the time of execution of said instrument was the Secretary of the said Company; that he knows the corporate seal of said Company and that the seal affixed to the foregoing instrument as such is said corporate seal; that the foregoing instrument was duly sealed and delivered by Andrew S. Morgan, President of said Company, as and for the act and deed of said Company for the uses and purposes therein mentioned, by order of the Board of Directors of said Company; that the names of the said Andrew S. Morgan as President and of Johns Hopkins as Secretary of said Company, subscribed to the foregoing instrument in attestation of its due execution and delivery are of their and each of their respective handwritings; and that the persons who executed the foregoing instrument as Directors of said Company are in fact all the Directors of said Company.

....
Johns Hopkins

Sworn to and subscribed before me the day and year aforesaid.

....
Notary Public.

My Commission expires

COMMONWEALTH OF PENNSYLVANIA }
COUNTY OF PHILADELPHIA } SS.

On this day of September, 1952, before me, the subscriber, a notary public in and for said County and Commonwealth, personally appeared Kenneth B. Anderson, Fred B. Hofft, W. E. Long, Andrew S. Morgan and M. H. Parkinson, Directors of LANCASTER COUNTY GAS COMPANY, to me severally known to be persons described in, and who severally executed the foregoing instrument, who in due form of law acknowledged the same to be their act and deed as Directors of LANCASTER COUNTY GAS COMPANY, to the end that the same might be recorded as such.

Witness my hand and notarial seal the day and year above written.

....
Notary Public.

My Commission expires

Commonwealth of Pennsylvania } SS.
County of Philadelphia }

On this day of , 1952, before me, the subscriber, a notary public in and for said County and Commonwealth, personally came Johns Hopkins, Secretary of Lebanon Valley Gas Company, and who is personally known to me; and he, being by me duly sworn, did depose and say that he is and at the time of execution of said instrument was the Secretary of the said Company; that he knows the corporate seal of said Company and that the seal affixed to the foregoing instrument as such is said corporate seal; that the foregoing instrument was duly sealed and delivered by Fred B. Hofft, President of said Company, as and for the act and deed of said Company for the uses and purposes therein mentioned, by order of the Board of Directors of said Company; that the names of the said Fred B. Hofft as President and of Johns Hopkins as Secretary of said Company, subscribed to the foregoing instrument in attestation of its due execution and delivery are of their and each of their respective handwritings; and that the persons who executed the foregoing instrument as Directors of said Company are in fact all the Directors of said Company.

....
Johns Hopkins

Sworn to and subscribed before me the day and year aforesaid.

....
Notary Public.

My Commission expires

Commonwealth of Pennsylvania } SS.
County of Lebanon }

On this day of September, 1952, before me, the subscriber, a notary public in and for said County and Commonwealth, personally appeared John S. Bashore, Keefer L. Baum, Fred B. Hofft, Gideon R. Kreider, Jr., W. E. Long, F. J. Rutledge and Charles B. Webb, Directors of Lebanon Valley Gas Company, to me severally known to be persons described in, and who severally executed the foregoing instrument, who in due form of law acknowledged the same to be their act and deed as Directors of Lebanon Valley Gas Company, to the end that the same might be recorded as such.

Witness my hand and notarial seal the day and year above written.

....
Notary Public.

My Commission expires

COMMONWEALTH OF PENNSYLVANIA }
COUNTY OF PHILADELPHIA } SS.

On this day of , 1952, before me, the subscriber, a notary public in and for said County and Commonwealth, personally came Johns Hopkins, Secretary of LUZERNE COUNTY GAS AND ELECTRIC CORPORATION, and who is personally known to me; and he, being by me duly sworn, did depose and say that he is and at the time of execution of said instrument was the Secretary of the said Company; that he knows the corporate seal of said Company and that the seal affixed to the foregoing instrument as such is said corporate seal; that the foregoing instrument was duly sealed and delivered by Charles E. Warsaw, President of said Company, as and for the act and deed of said Company for the uses and purposes therein mentioned, by order of the Board of Directors of said Company; that the names of the said Charles E. Warsaw as President and of Johns Hopkins as Secretary of said Company, subscribed to the foregoing instrument in attestation of its due execution and delivery are of their and each of their respective handwritings; and that the persons who executed the foregoing instrument as Directors of said Company are in fact all the Directors of said Company.

....
Johns Hopkins

Sworn to and subscribed before me the day and year aforesaid.

....
Notary Public.

My Commission expires

COMMONWEALTH OF PENNSYLVANIA }
COUNTY OF PHILADELPHIA } SS.

On this day of September, 1952, before me, the subscriber, a notary public in and for said County and Commonwealth, personally appeared Fred B. Hofft, W. E. Long, M. H. Parkinson, F. J. Rutledge and Charles E. Warsaw, Directors of LUZERNE COUNTY GAS AND ELECTRIC CORPORATION, to me severally known to be persons described in, and who severally executed the foregoing instrument, who in due form of law acknowledged the same to be their act and deed as Directors of LUZERNE COUNTY GAS AND ELECTRIC CORPORATION, to the end that the same might be recorded as such.

Witness my hand and notarial seal the day and year above written.

....
Notary Public.

My Commission expires

COMMONWEALTH OF PENNSYLVANIA } SS.
COUNTY OF PHILADELPHIA }

On this day of , 1952, before me, the subscriber, a notary public in and for said County and Commonwealth, personally came Johns Hopkins, Secretary of THE PHILADELPHIA GAS WORKS COMPANY, and who is personally known to me; and he, being by me duly sworn, did depose and say that he is and at the time of execution of said instrument was the Secretary of the said Company; that he knows the corporate seal of said Company and that the seal affixed to the foregoing instrument as such is said corporate seal; that the foregoing instrument was duly sealed and delivered by Hudson W. Reed, President of said Company, as and for the act and deed of said Company for the uses and purposes therein mentioned, by order of the Board of Directors of said Company; that the names of the said Hudson W. Reed as President and of Johns Hopkins as Secretary of said Company, subscribed to the foregoing instrument in attestation of its due execution and delivery are of their and each of their respective handwritings; and that the persons who executed the foregoing instrument as Directors of said Company are in fact all the Directors of said Company.

....
Johns Hopkins

Sworn to and subscribed before me the day and year aforesaid.

....
Notary Public.

My Commission expires

COMMONWEALTH OF PENNSYLVANIA } SS.
COUNTY OF PHILADELPHIA }

On this day of September, 1952, before me, the subscriber, a notary public in and for said County and Commonwealth, personally appeared H. Bruce Andersen, Thomas S. Lever, W. G. Murfit, Hudson W. Reed, F. J. Rutledge and Frank H. Trembly, Directors of THE PHILADELPHIA GAS WORKS COMPANY, to me severally known to be persons described in, and who severally executed the foregoing instrument, who in due form of law acknowledged the same to be their act and deed as Directors of THE PHILADELPHIA GAS WORKS COMPANY, to the end that the same might be recorded as such.

Witness my hand and notarial seal the day and year above written.

....
Notary Public.

My Commission expires

COMMONWEALTH OF PENNSYLVANIA }
COUNTY OF PHILADELPHIA } SS.

On this day of , 1952, before me, the subscriber, a notary public in and for said County and Commonwealth, personally came Johns Hopkins, Secretary of THE UNITED GAS IMPROVEMENT COMPANY, and who is personally known to me; and he, being by me duly sworn, did depose and say that he is and at the time of execution of said instrument was the Secretary of the said Company; that he knows the corporate seal of said Company and that the seal affixed to the foregoing instrument as such is said corporate seal; that the foregoing instrument was duly sealed and delivered by W. E. Long, President of said Company, as and for the act and deed of said Company for the uses and purposes therein mentioned, by order of the Board of Directors of said Company; that the names of the said W. E. Long as President and of Johns Hopkins as Secretary of said Company, subscribed to the foregoing instrument in attestation of its due execution and delivery are of their and each of their respective handwritings; and that the persons who executed the foregoing instrument as Directors of said Company are in fact all the Directors of said Company.

....
Johns Hopkins

Sworn to and subscribed before me the day and year aforesaid.

....
Notary Public.

My Commission expires

COMMONWEALTH OF PENNSYLVANIA }
COUNTY OF PHILADELPHIA } SS.

On this day of September, 1952, before me, the subscriber, a notary public in and for said County and Commonwealth, personally appeared Wm. W. Bodine, Frederick R. Drayton, John A. Frick, W. E. Long, Benjamin F. Pepper, Hudson W. Reed, Leonard B. Richards, T. Leaming Smith and Clarence A. Warden, Jr., Directors of THE UNITED GAS IMPROVEMENT COMPANY, to me severally known to be persons described in, and who severally executed the foregoing instrument, who in due form of law acknowledged the same to be their act and deed as Directors of THE UNITED GAS IMPROVEMENT COMPANY, to the end that the same might be recorded as such.

Witness my hand and notarial seal the day and year above written.

....
Notary Public.

My Commission expires

APPENDIX A

The designations, terms, relative rights, privileges, limitations, preferences and voting powers, and the prohibitions, restrictions and qualifications of the voting and other rights and powers of the shares of the Preferred Stock and the Common Stock of the Company shall be as follows:

1. The shares of the Preferred Stock may be divided into and issued in series, from time to time, as herein provided. Each series shall be designated so as to distinguish the shares thereof from the shares of all other series. All shares of the Preferred Stock of all series shall be of equal rank and all shares of any particular series of the Preferred Stock shall be identical except as to the date or dates from which dividends thereon shall be cumulative as provided in paragraph 2 hereof. The shares of the Preferred Stock of different series, subject to any applicable provision of law, may vary as to the following terms, which shall be fixed in the case of each such series, at any time prior to the issuance of the shares thereof, in the manner provided in paragraph 7 hereof:

(a) The annual dividend rate (within such limits as shall be permitted by law) for the particular series and the date from which dividends shall be cumulative on all shares of such series issued on or prior to the record date for the first dividend for such series;

(b) The redemption price or prices, if any, for the particular series;

(c) The amount or amounts per share for the particular series, payable to the holders thereof upon any voluntary or involuntary liquidation, dissolution or winding up of the company, which may be different for voluntary and involuntary liquidation, dissolution or winding up;

(d) The terms and amount of any sinking fund provided for the purchase or redemption of shares of the particular series; and

(e) The conversion, participating or other special rights, and the qualifications, limitations or restrictions thereof, if any, of the particular series.

Each share of the Common Stock shall be equal in all respects to every other share of the Common Stock.

2. The holders of each series of the Preferred Stock at the time outstanding shall be entitled to receive, but only when and as declared by the Board of Directors, out of funds legally available for the payment of dividends, cumulative preferential dividends, at the annual dividend rate for the particular series fixed therefor as herein provided, payable quarter-yearly on the first days of January, April, July and October in each year, to stockholders of record on the respective dates, not exceeding seventy (70) days and not less than ten (10) days, preceding such dividend payment dates, fixed for the purpose by the Board of Directors. No dividends shall be declared on any series of the Preferred Stock in respect of any quarter-yearly dividend period unless there shall likewise be declared on all shares of all series of the Preferred Stock, at the time outstanding, like proportionate dividends, ratably, in proportion to the respective annual dividend rates fixed therefor, in respect of the same quarter-yearly dividend period, to the extent that such shares are entitled to receive dividends for such quarter-yearly dividend period. The term "quarter-yearly dividend period" shall mean the quarter-yearly period ending on the last days of March, June, September and December, respectively, in each year. The dividends on shares of all series of the Preferred Stock shall be cumulative. In the case of all shares of each particular series, the dividends on shares of such series shall be cumulative

(a) if issued on or prior to the record date for the first dividend on the shares of such series, then from the date for the particular series fixed therefor as herein provided;

(b) if issued during the period commencing immediately after a record date for a dividend and terminating at the close of the payment date for such dividend, then from such dividend payment date; and

(c) otherwise from the quarter-yearly dividend payment date next preceding the date of issue of such shares;

so that unless dividends on all outstanding shares of each series of the Preferred Stock, at the annual dividend rate and from the dates for accumulation thereof fixed as herein provided shall have been paid or declared and set apart for payment for all past quarter-yearly dividend periods, but without interest on accrued dividends, no dividends shall be paid or declared and no other distribution shall be made on the Common Stock, and no Common Stock shall be purchased or otherwise acquired for value by the Company. Any accumulation of dividends on the Preferred Stock shall not bear interest. The holders of the Preferred Stock of any series shall not be entitled to receive any dividends thereon other than the dividends referred to in this paragraph 2.

3. The Company, by action of its Board of Directors, may redeem the whole or any part of any series of the Preferred Stock, at any time or from time to time, at the redemption price of the shares of the particular series fixed therefor as herein provided, together with a sum in the case of each share of each series so to be redeemed, computed at the annual dividend rate for the series of which the particular share is a part from the date from which dividends on such share became cumulative to the date fixed for such redemption, less the aggregate of the dividends theretofore or on such redemption date paid thereon or declared and set aside for payment thereon. Notice of every such redemption shall be given by publication at least once in a daily newspaper printed in the English language and published and of general circulation in the city of Philadelphia, Pennsylvania, the first publication in such newspaper to be at least thirty (30) days and not more than ninety (90) days prior to the date fixed for such redemption. At least thirty (30) days' and not more than ninety (90) days' previous notice of every such redemption shall also be mailed to the holders of record of the shares of the Preferred Stock so to be redeemed, at their respective addresses as the same shall appear on the books of the Company; but no failure to mail such notice nor any defect therein or in the mailing thereof shall affect the validity of the proceedings for the redemption of any shares of the Preferred Stock so to be redeemed. In case of the redemption of a part only of any series of the Preferred Stock at the time outstanding, the shares to be redeemed shall be selected by lot or pro rata, in such manner as the Board of Directors may determine, by an independent bank or trust company selected for that purpose by the Board of Directors of the Company. The Board of Directors shall have full power and authority, subject to the limitations and provisions herein contained, to prescribe the manner in which and the terms and conditions upon which the shares of the Preferred Stock shall be redeemed from time to time. If such notice of redemption shall have been duly given by publication, and if on or before the redemption date specified in such notice all funds necessary for such redemption shall have been set aside by the Company, separate and apart from its other funds, in trust for the account of the holders of the shares to be redeemed, so as to be and continue to be available therefor then, notwithstanding that any certificate for such shares so called for redemption shall not have been surrendered for cancellation, from and after the date fixed for redemption, the shares represented thereby shall no longer be deemed outstanding, the right to receive dividends thereon shall cease to accrue and all rights with respect to such shares so called for redemption shall forthwith on such redemption date cease and terminate except only the right of the holders thereof to receive, out of the funds so set aside in trust, the amount payable upon redemption thereof, without interest; provided, however, that the Company may, after giving notice by publication of any such redemption as hereinbefore provided or after giving to the bank or trust company hereinafter referred to irrevocable authorization to give such notice by publication, and, at any time prior to the redemption date specified in such notice, deposit in trust, for the account of the holders of the shares to be redeemed, funds necessary for such redemption with a bank or trust company in good standing, organized under the laws of the United States of America or of the Commonwealth of Pennsylvania, doing business in the city of Philadelphia, Pennsylvania, having capital, surplus and undivided profits

aggregating at least $2,000,000, designated in such notice of redemption, and, upon such deposit in trust, all shares with respect to which such deposit shall have been made shall no longer be deemed to be outstanding, and all rights with respect to such shares shall forthwith cease and terminate, except only the right of the holders thereof to receive, out of the funds so deposited in trust, from and after the date of such deposit, the amount payable upon the redemption thereof, without interest, provided further that notice of such right shall be included in the notice of redemption hereinabove provided for. If at any time the Company shall have failed to pay dividends in full on any outstanding shares of the Preferred Stock, thereafter and until dividends in full on all shares of the Preferred Stock outstanding shall have been paid, or declared and set aside for payment, for all past quarter-yearly dividend periods, but without interest on accrued dividends, the Company shall not redeem any shares of the Preferred Stock unless all the shares of the Preferred Stock outstanding are redeemed and shall not purchase or otherwise acquire for value any shares of the Preferred Stock except in accordance with an offer (which may vary as to the terms offered with respect to shares of different series of the Preferred Stock) made in writing or by publication (as determined by the Board of Directors) to all holders of shares of the Preferred Stock. Nothing herein contained shall limit any legal right of the Company to purchase or otherwise acquire any shares of the Preferred Stock at not exceeding the price at which the same may be redeemed. All or any shares of Preferred Stock at any time redeemed, purchased or acquired by the Company may thereafter, in the discretion of the Board of Directors, be reissued or otherwise disposed of at any time or from time to time to the extent and in the manner now or hereafter permitted by law, subject, however, to the limitations herein imposed upon the issue of shares of the Preferred Stock.

4. Before any amount shall be paid to, or any assets distributed among, the holders of the Common Stock upon any liquidation, dissolution or winding up of the Company, and after paying or providing for the payment of all creditors of the Company, the holders of all shares of each series of the Preferred Stock at the time outstanding shall be entitled to be paid in cash the amount for the shares of the particular series fixed therefor as herein provided, together with a sum in the case of each such share of each series, computed at the annual dividend rate for the series of which the particular share is a part, from the date from which dividends on such share became cumulative to the date fixed for the payment of such distributive amount, less the aggregate of the dividends theretofore or on such date paid thereon or declared and set aside for payment thereon; but no payments on account of such distributive amounts shall be made to the holders of shares of any series of the Preferred Stock unless there shall likewise be paid at the same time to the holders of shares of each other series of the Preferred Stock at the time outstanding like proportionate distributive amounts, ratably, in proportion to the full distributive amounts to which they are respectively entitled as herein provided. The holders of the Preferred Stock of any series shall not be entitled to receive any amounts with respect thereto upon any liquidation, dissolution or winding up of the Company other than the amounts referred to in this paragraph. Neither the consolidation or merger of the Company with or into any other corporation or corporations, nor the sale or transfer by the Company of all or any part of its assets, shall be deemed to be a liquidation, dissolution or winding up of the Company for the purposes of this paragraph.

5. Whenever the full dividends on the shares of all series of the Preferred Stock at the time outstanding for all past quarter-yearly dividend periods shall have been paid or declared and set apart for payment, then such dividends (payable in cash, stock or otherwise), as may be determined by the Board of Directors may be declared and paid on the Common Stock, but only out of funds legally available for the payment of such dividends.

6. In the event of any liquidation, dissolution or winding up of the Company, all assets and funds of the Company remaining after paying or providing for the payment of all creditors of the Company and after paying or providing for the payment to the holders of shares of all series of the

Preferred Stock of the full distributive amounts to which they are respectively entitled, as herein provided, shall be divided among and paid to the holders of the Common Stock according to their respective shares.

7. The Board of Directors of the Company may, at any time or from time to time, within the then total authorized amount of the Preferred Stock of all series, increase the authorized amount of any series of the Preferred Stock or of any Preferred Stock which is not part of a then existing series, establish or re-establish any unissued shares of the Preferred Stock as shares of the Preferred Stock of any series or as Preferred Stock which is not part of a then existing series, create one or more additional series of the Preferred Stock, fix the authorized amount of any series (which amount shall be subject to change from time to time by like action), and fix the designations and the terms of any series of the Preferred Stock in the respects in which the shares of any series may vary from the shares of other series of the Preferred Stock as provided in paragraph 1 hereof, except and to the extent that the laws of Pennsylvania at the time in effect shall require any of the foregoing to be otherwise accomplished, in which case the procedure thus specified shall be utilized.

8. (A) So long as any shares of the Preferred Stock of any series are outstanding, the Company shall not, without the consent (given in writing or by vote at a meeting called for that purpose in accordance with the provisions of paragraph 12 hereof) of the holders of at least two-thirds of the total number of shares of the Preferred Stock of all series then outstanding:

(a) Authorize or issue (any such issuance to be within 180 days after such written consent or vote) any kind of stock (other than a series of the Preferred Stock) ranking prior to or on a parity with the Preferred Stock, or authorize or issue any obligation or security convertible into shares of stock of any such kind; or

(b) Amend, alter, change or repeal any of the express terms of the Preferred Stock or of any series of the Preferred Stock then outstanding in a manner substantially prejudicial to the holders thereof; provided, however, that if any such amendment, alteration, change or repeal would be substantially prejudicial to the holders of shares of one or more, but not all of the series of the Preferred Stock at the time outstanding, such consent shall be required only from the holders of two-thirds of the total number of outstanding shares of all series so affected.

(B) So long as any shares of the Preferred Stock of any series are outstanding, the Company shall not, without the consent (given in writing or by vote at a meeting called for that purpose in accordance with the provisions of paragraph 12 hereof) of the holders of a majority of the total number of shares of the Preferred Stock of all series then outstanding:

(a) Increase the total authorized number of shares of the Preferred Stock of all series; or

(b) Issue any additional shares of any series of the Preferred Stock, or of any kind of stock (other than a series of the Preferred Stock) ranking on a parity with the Preferred Stock, unless the net earnings of the Company applicable to the payment of dividends on shares of the Preferred Stock, after provision for depreciation and all taxes chargeable as operating expense and determined in accordance with sound accounting practice, for any twelve (12) consecutive calendar months within the fifteen (15) calendar months immediately preceding the calendar month within which such additional shares of stock shall be issued, shall have been at least two (2) times the dividend requirements for a twelve (12) months' period upon the entire amount of the Preferred Stock to be outstanding immediately after the proposed issue of such additional shares of Preferred Stock and of other kinds of stock (other than a series of the Preferred Stock) ranking on a parity with the Preferred Stock, and unless the gross income of the Company for said period, determined in accordance with sound accounting practice (but in any event after deducting the amount for said period charged by the Company on its books to depreciation expense and all taxes), applicable for the payment of interest shall have been at least one and one-half ($1\frac{1}{2}$) times the aggregate of such dividend requirements and of the interest charges for said period on the entire amount of the indebtedness to be likewise outstanding; but excluding from each of the foregoing computations interest charges on all indebtedness and dividends on all stocks which are to be retired through the issue of such additional shares of Preferred Stock. Where such additional shares of Preferred Stock are to be issued in connection with the acquisition of new property the net earnings of the property to be so acquired may be included on a pro forma basis in the foregoing computation, computed on the same basis as the net earnings of the Company; or

(c) Issue any additional shares of any series of the Preferred Stock, unless the capital of the Company represented by its Common Stock together with its surplus as then stated on its books of account shall in the aggregate be at least equal to the involuntary liquidating value of the Preferred Stock to be outstanding immediately after the proposed issue of such additional shares of Preferred Stock, excluding from the foregoing computation all indebtedness and stock which are to be retired in connection with the issue of such additional shares of Preferred Stock, provided that no portion of the surplus of the Company which shall be used to meet the requirements of this paragraph (c) shall, after the issue of such additional shares of Preferred Stock and until such additional shares or a like number of other shares of Preferred Stock shall have been retired, be available for dividends or other distribution upon the Common Stock; or

(d) Issue any unsecured notes, debentures or other securities representing unsecured indebtedness, or assume any such unsecured securities, for purposes other than the refunding of outstanding unsecured securities theretofore issued or assumed by the Company or the reacquisition, redemption or other retirement of any indebtedness, authorized by the Securities and Exchange Commission under the provisions of the Public Utility Holding Company Act of 1935 or by any successor commission or other regulatory authority of the United States of America having jurisdiction over the reacquisition, redemption or other retirement of such indebtedness, or the reacquisition, redemption or other retirement of all outstanding shares of the Preferred Stock, if, immediately after such issue or assumption, the total principal amount of all unsecured notes, debentures or other securities representing unsecured indebtedness issued or assumed by the Company and then outstanding, including the unsecured securities then to be issued or assumed but excluding unsecured indebtedness maturing within one year after such issue or assumption, would exceed ten per centum (10%) of the aggregate of (i) the total principal amount of all bonds or other securities representing secured indebtedness issued or assumed by the Company and then to be outstanding, and (ii) the capital and surplus of the Company as then to be stated on the books of account of the Company; or

(e) Merge or consolidate with or into any other corporation or corporations, unless such merger or consolidation, or the exchange, issuance or assumption of all securities to be issued or assumed in connection with any such merger or consolidation, shall have been ordered, exempted, approved, or permitted by the Securities and Exchange Commission under the provisions of the Public Utility Holding Company Act of 1935 or by any successor commission or other regulatory authority of the United States of America having jurisdiction in the premises; provided that the provisions of this clause (e) shall not apply to a purchase or other acquisition by the Company of franchises or assets of another corporation pursuant to the provisions of Section 23 of the Act of the General Assembly of the Commonwealth of Pennsylvania, approved April 29, 1874, P. L. 73, as amended, or other similar Acts, or otherwise in any manner which does not involve a statutory merger or consolidation.

(C) So long as any shares of the Preferred Stock of any series are outstanding the Company shall not pay any dividends on or make any other distribution to the holders of shares of its Common Stock if after giving effect to such payment or distribution the capital of the Company represented by its Common Stock together with its surplus as then stated on its books of account shall in the aggregate be less than the involuntary liquidating value of all shares of its then outstanding Preferred Stock.

9. No holder of shares of any series of the Preferred Stock shall be entitled as such as a matter of right to subscribe for or purchase any part of any new or additional issue of stock, or securities convertible into stock, of any class, series or kind whatsoever, whether now or hereafter authorized, and whether issued for cash, property, services, by way of dividends, or otherwise.

10. (A) At all meetings of the stockholders of the Company the holders of shares of Common Stock shall be entitled to one vote for each share of Common Stock held by them respectively except as herein otherwise expressly provided. The holders of shares of the Preferred Stock shall have no right to vote and shall not be entitled to notice of any meeting of stockholders of the Company nor to participate in any such meeting except as herein otherwise expressly provided and except for those purposes, if any, for which said rights cannot be denied or waived under some mandatory provision of law which shall be controlling.

(B) If and when dividends payable on the Preferred Stock shall be in default in an amount equivalent to or exceeding four (4) full quarter-yearly dividends on all shares of all series of the Preferred Stock then outstanding, and until all dividends then in default shall have been paid or declared and set apart for payment, the holders of all shares of the Preferred Stock, voting separately as one class, shall be entitled to elect the smallest number of directors necessary to constitute a majority of the full Board of Directors, and the holders of the Common Stock, voting separately as a class, shall be entitled to elect the remaining directors of the Company, anything herein or in the By-Laws to the contrary notwithstanding. The terms of office, as directors, of all persons who may be directors of the Company at the time shall terminate upon the election of a majority of the Board of Directors by the holders of the Preferred Stock, except that if the holders of the Common Stock shall not have elected the remaining directors of the Company, then, and only in that event, the directors of the Company, as constituted just prior to the election of a majority of the Board of Directors by the holders of the Preferred Stock, shall elect the remaining directors of the Company. Thereafter, while such default continues and the majority of directors are being elected by the holders of the Preferred Stock, the remaining directors, whether elected by directors, as aforesaid, or whether originally or later elected by holders of the Common Stock, shall continue in office until their successors are elected by holders of the Common Stock and qualify.

(C) If and when all dividends then in default on the shares of Preferred Stock then outstanding shall be paid or declared and set apart for payment (and such dividends shall be declared and paid out of any funds legally available therefor as soon as reasonably practicable), the holders of the Preferred Stock shall thereupon be divested of any special right with respect to the election of directors provided in subparagraph (B) hereof, and the voting power of the holders of shares of Preferred Stock and the holders of shares of Common Stock shall revert to the status existing before the occurrence of such default; but always subject to the same provisions for vesting such special rights in the holders of the Preferred Stock in case of further like default or defaults in dividends thereon. Upon the termination of any such special voting right upon payment or setting apart for payment of all accumulated and defaulted dividends on such Preferred Stock, the terms of office of all persons who may have been elected directors of the Company by vote of the holders of the Preferred Stock, as a class, pursuant to such special voting right shall forthwith terminate, and the resulting vacancies shall be filled by the vote of a majority of the remaining directors.

(D) In case of any vacancy in the office of a director occurring among the directors elected by the holders of Preferred Stock, as a class, pursuant to the foregoing provisions of subparagraph (B) hereof, the remaining directors elected by the holders of Preferred Stock may elect, by affirmative vote of a majority thereof, or the remaining director so elected if there be but one, a successor or successors to hold office for the unexpired term of the director or directors whose place or places shall be vacant. Likewise in case of any vacancy in the office of a director occurring among the directors not elected by the holders of the Preferred Stock, the remaining directors not elected by the holders of the Preferred Stock, may elect, by affirmative vote of a majority thereof, or the remaining director so elected if there be but one, a successor or successors to hold office for the unexpired term of the director or directors whose place or places shall be vacant.

(E) Whenever under the provisions of subparagraph (B) hereof, the right shall have accrued to the holders of the Preferred Stock to elect directors, it shall be the duty of the president, a vice-president or the secretary of the Company forthwith to call and cause notice to be given to the shareholders entitled to vote at a meeting to be held at such time as the Company's officers may fix, not less than forty-five nor more than sixty days after the accrual of such right, for the purpose of electing directors. The notice so given shall be mailed to each holder of record of the Preferred Stock at his last known address appearing on the books of the Company and shall set forth, among other things, (i) that by reason of the fact that dividends payable on the Preferred Stock are in default in an amount equal to four full quarterly payments or more per share, the holders of the Preferred Stock, voting separately as a class, have the right to elect the smallest number of directors necessary to constitute a majority of the full Board of Directors of the Company, (ii) that any holder of the Preferred Stock has the right, at any reasonable time, to inspect, and make copies of, the list or lists of holders of the Preferred Stock maintained at the principal office of the Company or at the office of any Transfer Agent of the Preferred Stock, and (iii) either the entirety of this paragraph or the substance thereof with respect to the number of shares of the Preferred Stock required to be represented at any meeting, or adjournment thereof, called for the election of directors of the Company. At the first meeting of stockholders held for the purpose of electing directors during such time as the holders of the Preferred Stock shall have the special right, voting separately as a class, to elect directors, the presence in person or by proxy of the holders of a majority of the outstanding Common Stock shall be required to constitute a quorum of such class for the election of directors, and the presence in person or by proxy of the holders of a majority of the outstanding shares of all Series of the Preferred Stock shall be required to constitute a quorum of such class for the election of directors; provided, however, that in the absence of a quorum of the holders of the Preferred Stock, no election of directors shall be held, but a majority of the holders of the Preferred Stock who are present in person or by proxy shall have power to adjourn the election of the directors to a date not less than fifteen nor more than fifty days from the giving of the notice of such adjourned meeting hereinafter provided for; and provided, further, that at such adjourned meeting, the presence in person or by proxy of the holders of 35% of the outstanding shares of all Series of the Preferred Stock shall be required to constitute a quorum of such class for the election of directors. In the event such first meeting of stockholders shall be so adjourned, it shall be the duty of the president, a vice-president or the secretary of the Company, within ten days from the date on which such first meeting shall have been adjourned, to cause notice of such adjourned meeting to be given to the shareholders entitled to vote thereat, such adjourned meeting to be held not less than fifteen days nor more than fifty days from the giving of such second notice. Such second notice shall be given in the form and manner hereinabove provided for with respect to the notice required to be given of such first meeting of stockholders, and shall further set forth that a quorum was not present at such first meeting and that the holders of 35% of the outstanding shares of all Series of the Preferred Stock shall be required to constitute a quorum of such class for the election of directors at such adjourned meeting. If the requisite quorum of holders of the Preferred Stock shall not be present at said adjourned meeting, then the directors of the Company then in office shall remain in office until the next Annual Meeting of the Company, or special meeting in lieu thereof, and until their successors shall have been elected and shall qualify. Neither such first meeting nor such adjourned meeting shall be held on a date within sixty days of the date of the next Annual Meeting of the Company or special meeting in lieu thereof. At each Annual Meeting of the Company, or special meeting in lieu thereof, held during such time as the holders of the Preferred Stock, voting separately as a class, shall have the right to elect a majority of the Board of Directors, the foregoing provisions of this paragraph shall govern such Annual Meeting, or special meeting in lieu thereof, as if said Annual Meeting or special meeting were the first meeting of stockholders held for the purpose of electing directors after the right of the holders of the Preferred Stock, voting separately as a class, to elect a majority of the Board of Directors, should have accrued, with the exception that if, at any adjourned Annual Meeting, or special meeting in lieu thereof, 35% of the outstanding shares of all Series of the Preferred Stock is not present in person or by proxy, all the directors shall be elected by a vote of the holders of a majority of the Common Stock of the Company present or represented at the meeting.

(F) Except when some mandatory provision of law shall be controlling and except as otherwise provided in clause (b) of paragraph 8 (A) hereof and, as regards the special rights of any series of the Preferred Stock, as provided in the resolutions creating such series, whenever shares of two or more series of the Preferred Stock are outstanding, no particular series of the Preferred Stock shall be entitled to vote as a separate series on any matter and all shares of the Preferred Stock of all series shall be deemed to constitute but one class for any purpose for which a vote of the stockholders of the Company by classes may now or hereafter be required.

11. From time to time, and without limitation of other rights and powers of the Company as provided by law, the Company may reclassify its capital stock and may create or authorize one or more classes or kinds of stock ranking prior to or on a parity with or subordinate to the Preferred Stock or may increase the authorized amount of the Preferred Stock or of the Common Stock or of any other class of stock of the Company or may amend, alter, change or repeal any of the rights, privileges, terms and conditions of shares of the Preferred Stock or of any series thereof then outstanding or of shares of the Common Stock or of any other class of stock of the Company, upon the vote, given at a meeting called for that purpose in accordance with the provisions of paragraph 12 hereof, of the holders of a majority of the shares of stock then entitled to vote thereon or upon such other vote of its stockholders then entitled to vote thereon as may be provided by law; provided that the consent of the holders of shares of the Preferred Stock (or of any series thereof) required by the provisions of subparagraphs (A) and (B) of paragraph 8 hereof, if any such consent be so required, shall have been obtained; and provided further that the rights, privileges, terms and conditions of shares of the Common Stock shall not be subject to amendment, alteration, change or repeal without the consent (given in writing or by vote at a meeting called for that purpose in accordance with the provisions of paragraph 12 hereof) of the holders of a majority of the total number of shares of the Common Stock then outstanding.

12. Notice of any meeting of stockholders of the Company, or of the holders of any class or series of stock, required or authorized hereunder or by law, setting forth the purpose or purposes of such meeting, shall be mailed by the Company, not less than ten (10) days prior to such meeting, to all stockholders (at their respective addresses appearing on the books of the Company) entitled to vote thereat of record as of a date fixed by the Board of Directors of the Company, not exceeding forty (40) days in advance of such meeting, for the purpose of determining the stockholders entitled to notice of and to vote at such meeting, unless such notice shall have been waived, either before or after the holding of such meeting, by all stockholders entitled to notice thereof and to vote thereat. Any action authorized to be taken at a meeting called for that purpose in accordance with the provisions of this paragraph 12 may be taken either at a special meeting, or at any regular or annual

meeting provided that notice of such proposed action is included in the notice of such regular or annual meeting. Except where some mandatory provision of law shall be controlling, no other, longer or additional notice need be given of any such meeting and all holders of shares of stock of the Company, by becoming such, hereby consent to the holding of any such meeting upon notice given as hereinbefore provided and thereby waive, to the full extent permitted by law, any right to require the giving of or to receive any such other, longer or additional notice.

13. The Company may, at any time, and from time to time, issue and dispose of any of the authorized and unissued shares of the Preferred Stock and Common Stock for such consideration as may be fixed by the Board of Directors, subject to any provisions of law then applicable, and subject to the provisions of any resolutions of the stockholders of the Company entitled to vote thereon relating to the issue and disposition of such shares.

14. The holders of shares of the Common Stock shall have the prior right, in proportion to the number of shares of Common Stock held by them respectively, to purchase additional shares of Common Stock and securities convertible into Common Stock issued by the Company upon original issuance and sale for cash. Such prior right may not be altered without the consent (given in writing or by vote at a meeting called for that purpose in accordance with the provisions of paragraph 12 hereof) of the holders of at least two-thirds of the total number of shares of the Common Stock then outstanding. Such prior rights shall be exercisable only at the price at which such stock or securities are to be sold as fixed at the time by the Board of Directors of the Company and only within such period of time as shall be prescribed at the time by the Board of Directors of the Company but not less than fifteen (15) days following the mailing to such stockholders of notice of their right to purchase such additional shares. Except as above provided in this paragraph 14, no holder of shares of the Common Stock shall be entitled as such as a matter of right to subscribe for or purchase any part of any new or additional issue of stock, or securities convertible into stock, of any class whatsoever, whether now or hereafter authorized, and whether issued for cash, property, services, by way of dividends, or otherwise.

TERMS OF 4¼% PREFERRED STOCK

The initial series of Preferred Stock shall consist of 25,000 shares designated as "4¼% Preferred Stock". The terms of such stock, in the respects in which the shares of such series may vary from shares of other series of the Preferred Stock shall be as follows:

The dividend rate shall be 4¼% per annum and January 1, 1953 shall be the date from and including which dividends shall be cumulative on all shares issued on or prior to the record date for the first dividend, as well as the date upon which all 25,000 shares shall be deemed to have been issued.

The redemption price shall be $110 per share. The amount payable upon any voluntary or involuntary liquidation, dissolution or winding up of the Company shall be $100 per share.

No sinking fund shall be provided for the purchase or redemption of such shares, and such shares shall have no conversion, participating or other special rights.

UNITED STATES DISTRICT COURT

FOR THE EASTERN DISTRICT OF PENNSYLVANIA

In the Matter of THE UNITED GAS IMPROVEMENT COMPANY	A PROCEEDING TO ENFORCE A PLAN PURSUANT TO SECTIONS 11(e) AND 18(f) OF THE PUBLIC UTILITY HOLDING COMPANY ACT OF 1935 CIVIL ACTION NO. 14236

NOTICE

TO THE SECURITY HOLDERS OF THE UNITED GAS IMPROVEMENT COMPANY, CONSUMERS GAS COMPANY, THE HARRISBURG GAS COMPANY, LUZERNE COUNTY GAS AND ELECTRIC CORPORATION AND ALLENTOWN-BETHLEHEM GAS COMPANY, AND TO ALL OTHER PERSONS:

NOTICE IS HEREBY GIVEN, pursuant to an Order of the United States District Court for the Eastern District of Pennsylvania in the above-entitled matter, dated the 22nd day of September, 1952, that the Securities and Exchange Commission has filed an application in said Court to enforce and carry out the terms and provisions of Part 2 of a Plan for the corporate simplification of The United Gas Improvement Company, submitted by said Company and approved by the Securities and Exchange Commission, pursuant to Section 11(e) of the Public Utility Holding Company Act of 1935, by its Order dated September 18, 1952, and that a hearing will be held at the United States Court House, 9th and Chestnut Streets, Philadelphia, Pennsylvania, on the 12th day of November, 1952, at 2:00 o'clock, P. M., E.S.T., before the Honorable William H. Kirkpatrick, United States District Judge, for the purpose of determining whether Part 2 of said Plan is fair and equitable and appropriate to effectuate the provisions of Section 11 of the Public Utility Holding Company Act of 1935, and whether the Court should enforce and carry out the terms and provisions thereof, and for such other purposes as may appear necessary or appropriate in the premises.

Any person who proposes to oppose the application of the Securities and Exchange Commission or the approval by said Court of Part 2 of said Plan, or the enforcement and carrying out of its terms and provisions, is required by said Order of the Court to serve, on or before the 31st day of October, 1952, on Myron S. Isaacs, Chief Counsel, Division of Public Utilities, Securities and Exchange Commission, 425 Second Street, N. W., Washington 25, D. C., and on Kenneth B. Anderson and Garfield Scott, 1401 Arch Street, Philadelphia, Pennsylvania, and Morgan, Lewis & Bockius, 123 S. Broad Street, Philadelphia, Pennsylvania, counsel for The United Gas Improvement Company, copies of a written statement of objections and of any brief proposed to be filed in support thereof, and to file such statement and brief on or before that date with the Clerk of said Court. The Court's Order provides that such statement of objections shall be addressed to the Commission's application to said Court and to its Findings and Opinion and Order dated September 18, 1952, and shall state in detail, and in the manner required for pleadings by the Rules of Civil Procedure for the United States District Court, the extent to which such statement challenges the allegations and findings therein contained, together with any affirmative defenses or objections that may be made to said application.

The Court's Order directs that copies of the Findings and Opinion and Order of the Commission dated September 18, 1952, be sent free of charge to all security holders of The United Gas Improvement Company and its subsidiaries. Copies of the Plan and of the Findings, Opinion and Order will be sent to any interested person upon request addressed to The United Gas Improvement Company, 1401 Arch Street, Philadelphia, Pennsylvania.

Notice is Further Given that during the pendency of these proceedings and until further order of said Court, The United Gas Improvement Company and its subsidiaries and their respective security holders, and all other persons, are enjoined and restrained from doing any act or taking any action interfering or tending to interfere with these proceedings or with the enforcement or carrying out of the terms and provisions of Part 2 of the Plan, or with compliance with the Order of the Securities and Exchange Commission approving it, including the commencement or prosecution of any action, suit, or proceeding, at law or in equity or under any statute, in any court or before any executive or administrative officer, commission, or tribunal, other than such proceedings before the Securities and Exchange Commission or said Court as may be appropriate under the Public Utility Holding Company Act of 1935 and the Rules and Regulations promulgated thereunder, and such review, if any, in an appropriate appellate court of the United States as may be provided by law.

THE UNITED GAS IMPROVEMENT COMPANY

By: Walter E. Long,
President.

October 6, 1952.

Record a 78

IN THE UNITED STATES DISTRICT COURT

FOR THE EASTERN DISTRICT OF PENNSYLVANIA

In the Matter of THE UNITED GAS IMPROVEMENT COMPANY	)	A PROCEEDING TO ENFORCE A PLAN PURSUANT TO SECTIONS 11(e) AND 18(f) OF THE PUBLIC UTILITY HOLDING COMPANY ACT OF 1935. CIVIL ACTION NO. 14236

ORDER ENFORCING PART 2 OF THE PLAN

A certain plan dated December 18, 1951, to effectuate the provisions of Section 11(b) of the Public Utility Holding Company Act of 1935 (hereinafter called the "Act"), providing, inter alia, for the merger of its utility subsidiaries with and into The United Gas Improvement Company (hereinafter called "U.G.I."), having been filed on December 19, 1951, with the Securities and Exchange Commission (hereinafter called the "Commission") pursuant to Section 11(e) of the Act by U.G.I., a registered holding company under the Act; and certain amendments having been filed to said plan on February 26, 1952, and July 14, 1952 (which Plan as so amended will be hereinafter referred to as the "Plan", a copy thereof being Exhibit A to the Commission's Application herein dated September 22, 1952); and the Commission, after notice and hearing, having found the Plan necessary to effectuate the provisions of subsection (b) of Section 11 of the Act and fair and equitable to the persons affected thereby, and having by an appropriate Order dated September 18, 1952, approved the Plan, and having issued its Findings and Opinion dated September 18, 1952, thereon; and U.G.I. having requested the Commission to apply to an appropriate court to enforce and carry out the terms and provisions of Part 2 of the Plan; and the Commission on September 22, 1952, having filed with this Court an application to enforce and carry out the terms and provisions of Part 2 of the Plan; and this Court, by Order dated September 22, 1952, having fixed

November 12, 1952 as the date for hearing upon such Part of the Plan, and having prescribed the notice to be given of such hearing, the time within which objections might be made to the Commission's application, and the manner of making such objections; and it appearing that due and sufficient notice of said hearing was given in accordance with the provisions of said Order of the Court dated September 22, 1952; and no objections to the granting of the Commission's application having been filed herein; and a hearing having been duly held on November 12, 1952; and the Commission and U.G.I. having appeared at said hearing by their respective counsel in support of said application and no one having appeared in opposition thereto; and all interested persons having been afforded an opportunity for hearing; and the Court finding that U.G.I. maintains its principal office in the City of Philadelphia, Commonwealth of Pennsylvania, where U.G.I. transacts a substantial portion of its business, and finding further that this Court has jurisdiction over U.G.I. and Part 2 of the Plan pursuant to the provisions of Sections 11(e), 18(f) and 25 of the Act; and the Court having duly considered Part 2 of the Plan and the record herein and being fully advised in the premises;

IT IS HEREBY FOUND, DETERMINED, ORDERED, ADJUDGED AND DECREED:

1. This Court finds and concludes that the findings of fact and conclusions of law embodied in the Findings and Opinion and Order of the Commission dated September 18, 1952, a copy of which is attached to the Commission's application herein as Exhibit C, are supported by substantial evidence and were arrived at in accordance with legal standards.

2. Subject to the terms and conditions of said Order of the Commission dated September 18, 1952, Part 2 of the Plan is approved and confirmed as fair and equitable and as appropriate to effectuate the provisions of Section 11 of the Act, and this Court directs that it be enforced and carried out.

3. Subject to the terms and conditions of said Order of the Commission, this Court, for the purpose of enforcing and carrying out the terms and provisions of Part 2 of the Plan and to the extent necessary for such purpose, hereby takes exclusive jurisdiction of U.G.I. and its subsidiaries, namely -

U.G.I. Subsidiaries	State of Incorporation	Hereinafter called
Allentown-Bethlehem Gas Company	Pennsylvania	"Allentown"
Consumers Gas Company	"	"Consumers"
The Harrisburg Gas Company	"	"Harrisburg"
Lancaster County Gas Company	"	"Lancaster"
Lebanon Valley Gas Company	"	"Lebanon"
Luzerne County Gas and Electric Corporation	"	"Luzerne"
The Philadelphia Gas Works Company	"	"P.G.W."
Ugite Sales Corporation	Delaware	"Ugite"
The Utilities Realty Company	Pennsylvania	"Realty Company"

and their and each of their respective assets, whether now owned or hereafter acquired and wherever located.

4. U.G.I. and its said subsidiaries, respectively, shall retain possession of their assets and continue the operation of their businesses through their respective directors, officers, employees and agents, to the same extent and in substantially the same manner as heretofore, except as may be otherwise provided by this Order or by any subsequent Order herein; and they and each of them may enter into any transaction not inconsistent with Part 2 of the Plan and this Order, including, without prejudice to the generality of the foregoing, the filing of appropriate applications, declarations, and notices with the Commission in conformity with the Act and with the rules, regulations and orders promulgated thereunder, in all cases where such filing would be required if this Court had not taken such jurisdiction.

5. U.G.I. and its subsidiaries aforesaid, acting by or through their respective directors, officers and agents, are hereby authorized, ordered and directed to take and cause to be taken as soon as practicable, in accordance with the provisions, and subject to the terms and conditions, of Part 2 of the Plan and of said Order of the Commission dated September 18, 1952, all action which may be necessary or appropriate to carry into effect the steps and transactions contemplated by and specified in Part 2 of the Plan and in this Order, and to comply with this Order, including specifically, without limiting the generality of the foregoing, the following action:

(a) Allentown, Consumers, Harrisburg, Lancaster, Lebanon, Luzerne and P.G.W. are ordered to merge into U.G.I., with U.G.I. remaining as the surviving and continuing corporation, and U.G.I. is ordered to effect such merger, substantially as contemplated, provided and set forth in the proposed Agreement of Merger (which is Exhibit A to the Plan), which Agreement of Merger is incorporated herein by reference, and, in connection therewith, all the rights, privileges and franchises theretofore vested in each of said constituent subsidiary corporations and all the estate and property, real and personal, and rights of action of each of said corporations shall be transferred to and vested in U.G.I. as such surviving and continuing corporation and U.G.I. shall assume all the liabilities of such merging corporations. The effective date of such merger shall be the date such executed merger agreement is delivered to and approved by the Department of State of the Commonwealth of Pennsylvania.

(b) U.G.I. and Fidelity-Philadelphia Trust Company, Trustee, are ordered to execute, deliver and record a U.G.I. Mortgage and Deed of Trust dated as of January 1, 1953, substantially in the form set forth as Exhibit B to the Plan, which Mortgage and Deed of Trust is incorporated herein by reference.

(c) U.G.I. is ordered to acquire and cancel all First Mortgage Bonds issued respectively by Allentown, Harrisburg and Luzerne and presently outstanding in the aggregate amount of $15,648,000 in the following respective amounts and series:

Company	Principal Amount	Series
Allentown-Bethlehem Gas Co.	$2,172,000	3-3/4% (now 3%) Series due 1965
Allentown-Bethlehem Gas Co.	1,455,000	3-1/4% Series due 1968
Allentown-Bethlehem Gas Co.	1,500,000	3.348% Series due 1976
The Harrisburg Gas Company	2,002,000	2-5/8% Series due 1971
The Harrisburg Gas Company	970,000	3-1/8% Series due 1971
The Harrisburg Gas Company	1,000,000	3.15% Series due 1976
Luzerne County Gas and Electric Corporation	6,549,000	3-1/4% Series due 1966

with all unmatured coupons, and to issue and deliver to the holders of said First Mortgage Bonds, in exchange for their surrender to U.G.I. with all unmatured coupons attached, a like principal amount of its First Mortgage Bonds issued under its said Mortgage and Deed of Trust, of a series corresponding to the series surrendered, together with accrued interest, if any, on the bonds surrendered for cancellation, up to the effective date of the merger.

(d) The respective trustees of the various indentures of mortgage and the supplements thereto of Allentown, Harrisburg and Luzerne securing, respectively, the aforesaid outstanding bonds issued by said companies are ordered, as soon as practicable following the effective date of the merger, to satisfy, cancel, release and discharge such indentures and supplements thereto, and are further ordered to surrender and deliver to U.G.I. any securities and/or cash, held by them under the provisions of such indentures and supplements thereto.

(e) Harrisburg is ordered to redeem, on or about the effective date of the merger, the outstanding 4,838 shares of the 4-1/2% Preferred Stock of Harrisburg at $110 per share plus an amount equal to accrued and unpaid dividends thereon to the redemption date, being the redemption price thereof.

(f) U.G.I. is ordered to acquire and cancel the 25,000 shares of the 4-1/4% Preferred Stock of Luzerne and to issue and deliver to the holders of such shares, in exchange for their surrender to U.G.I., U.G.I. 4-1/4% Preferred Stock and cash, on the basis of one share of the 4-1/4% Preferred Stock of U.G.I., plus accrued and unpaid dividends on the Luzerne Preferred Stock up to the effective date of the merger, for each share of the Luzerne 4-1/4% Preferred Stock so surrendered.

(g) U.G.I. is ordered to deliver to the holders of U.G.I. Capital Stock, on surrender of their certificates therefor, certificates representing a like number of shares of U.G.I. Common Stock.

(h) U.G.I. is ordered to cancel the following securities now owned by it:

Name of Issuing Company	Security	Shares
Allentown-Bethlehem Gas Company	Common Capital Stock	132,375
Consumers Gas Company	Capital Stock	141,544
The Harrisburg Gas Company	Common Stock	29,225
Lancaster County Gas Company	Capital Stock	50,000
Lebanon Valley Gas Company	Common Stock	19,800
Luzerne County Gas and Electric Corporation	Common Stock	176,694
The Philadelphia Gas Works Company	Capital Stock	50

(i) U.G.I. is ordered to acquire and cancel the 79,328 shares of Consumers Capital Stock, not owned by U.G.I., and to issue and deliver to the holders of such shares, in exchange for their surrender to U.G.I., U.G.I. Common Stock and/or cash on the basis of 8/10ths of a share of U.G.I. Common Stock (and/or cash for fractional interests of less than one share, determined as set forth below) for each share of Consumers Capital Stock so surrendered. In lieu of distribution of fractional shares of new U.G.I. Common Stock, holders otherwise entitled thereto shall receive a cash equivalent computed on the basis of the average of the daily closing prices of U.G.I. Common Stock (or the bid price, if no sales are made) on the New York Stock Exchange for the period of one calendar week immediately following the effective date of the merger.

(j) U.G.I. is ordered to acquire and cancel the 12,208 shares of Harrisburg Common Stock, not owned by U.G.I., and to issue and deliver to the holders of such shares in exchange for their surrender to U.G.I., U.G.I. Common Stock, on the basis of four shares of U.G.I. Common Stock for each share of Harrisburg Common Stock so surrendered.

(k) U.G.I. and its said utility subsidiaries are ordered to cancel all intercompany indebtedness owing by such subsidiaries to U.G.I.

(l) The said utility subsidiaries of U.G.I. are ordered, respectively, to close their transfer books, for the transfer of any of their stock certificates, on the effective date of the merger and to permit no transfers thereof on such books thereafter.

(m) U.G.I. is ordered, upon the issue of each share of its 4-1/4% Preferred Stock or Common Stock, pursuant to the provisions of subparagraphs (f), (i) and (j) above, to pay to the person to whom such share is issued an amount equal to the aggregate of all dividends theretofore declared by U.G.I. after the effective date of the merger on such share of stock and payable to holders of record before the date such stock was issued.

(n) Subsequent to the effective date of the merger, Ugite is ordered to assign, transfer, convey and deliver to U.G.I. its property and assets, and U.G.I. is ordered to acquire such property and assets and to assume all of the liabilities of Ugite in settlement pro tanto of U.G.I. advances to Ugite. Thereafter, Ugite is ordered to dissolve and U.G.I., as the sole stockholder of Ugite, is ordered to cause such dissolution to be accomplished and the outstanding Capital Stock of Ugite to be cancelled.

(o) Subsequent to the effective date of the merger, Realty Company and U.G.I. are ordered to cancel all indebtedness owing by Realty Company to U.G.I. and thereafter Realty Company is ordered to dissolve and U.G.I., as the sole stockholder of Realty Company, is further ordered to cause such dissolution to be accomplished, and in the process of such dissolution Realty Company is ordered to assign, convey, transfer and deliver its property and assets to U.G.I., and U.G.I. is ordered to acquire such property and assets, to assume all of the liabilities of Realty Company and to cancel all the outstanding Capital Stock of Realty Company.

6. Upon the effective date of the merger, all rights and claims of the holders of First Mortgage Bonds issued by any of the utility subsidiaries of U.G.I., of shares of the 4-1/4% Preferred Stock of Luzerne and of the Common or Capital Stocks of any of the utility subsidiaries of U.G.I., other than their rights and claims to receive new securities and/or cash as provided herein and in the Plan, shall cease and determine.

7. U.G.I. is ordered, as soon as practicable after the effective date of the merger, to give notice, by mail postage prepaid, to all holders of record of First Mortgage Bonds of such utility subsidiaries, of all shares of Luzerne's 4-1/4% Preferred Stock and of all shares of capital or common stocks of Harrisburg and Consumers, respectively, and by publication once in a daily newspaper of general circulation in the cities of Philadelphia and New York, that the merger has become effective, and calling upon such security holders to surrender their said securities to U.G.I. in exchange for the new securities and/or cash which they are to receive as provided in the Plan.

8. On the expiration of five years from the effective date of the merger, provided that a proper showing shall have been made to this Court of reasonable efforts to locate all holders and owners of such securities, and that this Court shall have entered a further order approving such efforts as reasonable, then, subject to such conditions as the Court may prescribe in such order, all rights and claims of holders of First Mortgage Bonds issued by any of said utility subsidiaries of U.G.I. and of the holders of Luzerne's 4-1/4% Preferred Stock and of the Common or Capital Stocks of any such subsidiaries who have not surrendered their bonds or stock certificates as herein and in the Plan provided, shall cease and determine, all such First Mortgage Bonds, Preferred Stock and Common or Capital Stocks then held by them shall be void for all purposes, and all U.G.I. First Mortgage Bonds, Preferred Stock and Common Stock and cash (other than U.G.I. Common Stock held for exchange for outstanding U.G.I. Capital Stock) not theretofore issued or paid out pursuant hereto and remaining in the hands of U.G.I. or its exchange agent or agents shall become the property of U.G.I. absolutely as a capital contribution.

9. U.G.I. and its subsidiaries and all creditors and security holders of U.G.I. or of any of its said subsidiaries and all other persons, firms and corporations whatsoever, are hereby permanently enjoined and restrained from doing any act or taking any action interfering or tending to interfere with these proceedings, or with the enforcement or carrying out of Part 2 of the Plan or any of the terms and provisions thereof or of this Order, or with compliance with the Order of the Commission approving Part 2 of the Plan or with this Order, including without any limitations on the foregoing, the commencement or prosecution of any action, suit, or proceeding, at law or in equity or under any statute, in any court or before any executive or administrative officer, commission, or tribunal, other than such proceedings before the Commission or this Court as may be appropriate under the Act and the Rules and Regulations promulgated thereunder, and such review, if any, in an appropriate appellate court of the United States as may be provided by law.

10. Jurisdiction is generally reserved to the Court to entertain such further proceedings, to make such further findings, to enter such supplemental orders and decrees, to take such further action, and to grant such other and further relief as it may deem necessary or appropriate in connection with Part 2 of the Plan, the transactions incident thereto and the consummation thereof, including jurisdiction to review, if application therefor is duly made, any subsequent orders of the Commission relating to this proceeding.

11. Upon compliance by U.G.I. and its subsidiaries with subparagraphs (a) to (m) inclusive of Paragraph 5 and with Paragraph 7 of this Order (except for exchanges of new securities and cash if required for securities of U.G.I. and its subsidiaries not yet presented for exchange), U.G.I. may apply to this

Court for an order releasing and discharging it and its subsidiaries and their and each of their assets, in whole or in part, from the jurisdiction of this Court.

By the Court.

(s) Kirkpatrick
United States District Judge

Dated: November 12, 1952
Philadelphia, Pa.

Renewal A7826 N

UNITED STATES OF AMERICA
FEDERAL POWER COMMISSION

Before Commissioners: Thomas C. Buchanan, Chairman; Claude L. Draper and Nelson Lee Smith.

September 3, 1952

In the Matters of	)	
	)	
Allentown-Bethlehem Gas Company	)	
Consumers Gas Company	)	Docket No. G-1910
The Harrisburg Gas Company	)	
Lancaster County Gas Company	)	
The United Gas Improvement Company	)	

FINDINGS AND ORDER PERMITTING ABANDONMENT OF FACILITIES AND ISSUING CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY

On March 6, 1952, Allentown-Bethlehem Gas Company (Allentown), Consumers Gas Company (Consumers), The Harrisburg Gas Company (Harrisburg), Lancaster County Gas Company (Lancaster) and The United Gas Improvement Company (U.G.I.), hereinafter sometimes collectively referred to as Applicants, filed a Joint Application, as supplemented and amended on April 18, April 30, and July 11, 1952, pursuant to Section 7 of the Natural Gas Act.

Allentown, Consumers, Harrisburg and Lancaster seek an order, pursuant to Section 7(b) of the Natural Gas Act, permitting and approving the abandonment of certain facilities and services of the aforementioned companies, as hereinafter described.

The United Gas Improvement Company seeks a certificate of public convenience and necessity, pursuant to Section 7 of the Natural Gas Act, authorizing it to acquire and operate all of the facilities and to render the services proposed to be abandoned by Allentown, Consumers, Harrisburg and Lancaster, including the facilities of the Lebanon Valley Gas Company, under its proposed plan of merger.

Applicants (Allentown, Consumers, Harrisburg and Lancaster) are subsidiaries of U.G.I., which is a holding company registered with the Securities and Exchange Commission. The aforementioned subsidiaries are corporations organized and existing under the laws of the Commonwealth of Pennsylvania and are engaged in the business of supplying and distributing a mixed gas in nine counties located in southeastern Pennsylvania, extending from the Susquehanna River eastward to the Delaware River. Lancaster serves straight natural gas in a portion of the area which it serves.

The proposal of the Applicants will result in the complete dissolution of Allentown, Consumers, Harrisburg and Lancaster, with U.G.I. performing all the present services and operations.

The facilities (all of which are located in southeastern Pennsylvania) and services which are proposed to be abandoned by Applicants (Allentown, Consumers, Harrisburg and Lancaster) and the facilities of Lebanon Valley Gas Company, all of which are proposed to be acquired by U.G.I., are set forth in its application, and include the following pipe lines and services: 1/

Allentown-Bethlehem Gas Company

Line from the 14-inch natural gas line of The Manufacturers Light and Heat Company to Allentown's distribution plant at Didier, which was certificated by the Commission's order issued December 19, 1949, in Docket No. G-1255.

Lines from the distribution plant at Didier to Easton, Nazareth, Butztown, Bath, Allentown, Northampton, Greenawalds, Sterlingworth, Wescoesville, Emmaus, Macungie, Old Zionsville, Vera Cruz, Hellertown, Center Valley, Richlandtown, Quakertown, Trumbauersville, Sellersville, Perkasie, and Silverdale.

Lines from the distribution plant at Easton to the center of the bridge crossing the Delaware River through which gas is supplied to City Gas Company at Phillipsburg, New Jersey. The gas carried by such lines is sold by Allentown-Bethlehem Gas Company to City Gas Company of Phillipsburg, N. J., for resale by the latter company.

Consumers Gas Company

Line from the natural gas line of The Manufacturers Light and Heat Company near Millway to Consumer's distribution plant at Reading, which line was certificated by the Commission's order issued December 19, 1949, in Docket No. G-1256.

Lines from the distribution plant at Reading to Temple, Fleetwood, Kutztown, Topton, Wernersville, Womelsdorf, Mohnton, Baumstown, Birdsboro, and Douglassville.

1/ The map attached to Applicants' supplement filed on April 18, 1952, depicts the pipe-line facilities proposed to be abandoned and all facilities to be acquired under Applicants' plan of merger.

Lines from Womelsdorf to connection points with the lines of the Lebanon Valley Gas Company at the Lebanon County-Berks County line.

Line from Douglassville to the connection point with the line of the Philadelphia Electric Company near Pottstown.

The Harrisburg Gas Company

Line from the natural gas line of The Manufacturers Light and Heat Company near Billmeyer to Harrisburg's distribution plant at Steelton, which line was certificated by the Commission's order issued December 19, 1949, in Docket No. G-1254.

Lines from the distribution plant at Steelton to Hainton, Colonial Park, Harrisburg, Heckton, Enola, Shiremanstown, Mechanicsburg, Carlisle, New Market, Middletown, Royalton, Elizabethtown, and Marietta.

Line from Steelton to the connection point with the line of the Lebanon Valley Gas Company at the Dauphin County-Lebanon County line.

Lebanon Valley Gas Company

Lines from the connection point with the line of the Harrisburg Gas Company at the Dauphin County-Lebanon County Line to Hummelstown, Palmyra, Campbellstown, Annville, Lebanon, and Avon.

Lines from the connection points with the lines of Consumers Gas Company at the Lebanon County-Berks County line to Myerstown, Richland, and Sheridan. 2/

Lancaster County Gas Company

i. Line from the natural gas lines of Texas Eastern Transmission Corporation to Lancaster;

ii. Line from the natural gas lines of Texas Eastern Transmission Corporation to Columbia;

2/ The facilities to be acquired from the Lebanon Valley Gas Company will be an integral part of U.G.I.'s proposed transmission pipeline system under the company's aforementioned plan of merger.

iii. Line from the natural gas lines of The Manufacturers Light and Heat Company to Mount Joy;

iv. Line from the natural gas lines of The Manufacturers Light and Heat Company to Manheim;

v. Line from the natural gas lines of The Manufacturers Light and Heat Company to Lititz.3/

Allentown (which also sells gas for resale to the City Gas Company of Phillipsburg), Harrisburg and Lancaster are the sole distributors of gas in the communities and adjacent areas for which they are named; while Consumers is the sole distributor of gas in Reading, Pennsylvania, and adjacent areas. In addition, Consumers and Harrisburg provide all of the gas requirements of Lebanon Valley Gas Company, an affiliate, for resale in adjacent areas.

Upon acquisition of the above-described facilities, U.G.I. proposes to continue operation of all of such facilities and to render all the services "in exactly the same manner as they are presently being operated and rendered," except that upon consumation of the merger there will no longer be any sale for resale to the Lebanon Valley Gas Company by either Harrisburg or Consumers.

Sale now being made by Allentown to City Gas Company of Phillipsburg, N. J., will now be made by U.G.I. Upon receipt of the authorization herein sought, U.G.I. proposes to seek cancellation of the tariffs covering sales to Lebanon Valley Gas Company and to file a new tariff covering sale of gas to City Gas Company of Phillipsburg, which tariff will be identical to the tariff now on file, with the exception that the name "The United Gas Improvement Company" will be substituted for that of "Allentown-Bethlehem Gas Company."

Allentown, Consumers, Harrisburg and Lancaster purchase their natural gas supply from The Manufacturers Light and Heat Company. In addition, Consumers also purchases natural gas from the Philadelphia Electric Company. 4/ Deliveries of natural gas to Allentown, Consumers, Harrisburg and Lancaster were authorized by the Commission in its order

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3/ The facilities which Lancaster proposes to abandon were certificated by the Commission's order, issued December 19, 1949, in Docket No. G-1253.

4/ The gas delivered to Consumers by Philadelphia Electric Company is a mixture of natural and manufactured gas.

issued June 1, 1948, In the Matter of Philadelphia Electric Company, Docket No. G-1030, 7 FPC 671, and In the Matter of The Manufacturers Light and Heat Company, et al., Docket No. G-1247, by order of the Commission issued December 19, 1949, 8 FPC 426.

Pursuant to due notice, a public hearing was held in Washington, D. C., on August 29, 1952, respecting the matters involved and the issues presented by the application. No protest to the application has been received.

The United Gas Improvement Company states that its proposed plan of merger is for the purpose of achieving greater efficiency and economy in the operation of its facilities, to effect a tax saving, to enable its stockholders to hold directly their investment in properties of the subsidiary companies and to remove U.G.I. from the status of a holding company. The proposed plan provides for the following: (1) Conversion of U.G.I. into a Pennsylvania public utility company, (2) merger into U.G.I. of its public utility subsidiaries and dissolution of its one hundred percent controlled non-utility subsidiaries, and (3) disposal of all investments in other companies, with the exception of a note issued by the Delaware Coach Company in the amount of $916,666.67.

The United Gas Improvement Company will carry out part one of the plan by taking over the operation of the Northern Liberties Gas Company properties which are presently operated by the Philadelphia Gas Works Company. Part two of the plan will be effected by the merger into U.G.I. of its seven subsidiaries 5/ whereupon U.G.I. will remain the only surviving corporation. All assets and liabilities of the subsidiaries will be taken up by U.G.I. and all rights of the subsidiaries will be vested in U.G.I.

It is proposed that no securities will be sold and all securities issued are to be exchanged for outstanding securities of the subsidiary companies. The subsidiaries now have outstanding seven series of bonds in the principal amount of $15,758,000, which bear various interest rates. It is intended that these bonds will be exchanged for identical amounts of the new bonds to be issued by U.G.I. with the same interest rates, maturities, redemptions and similar provisions contained in the now outstanding bonds.

5/ Allentown-Bethlehem Gas Company, Consumers Gas Company, The Harrisburg Gas Company, Lancaster County Gas Company, Lebanon Valley Gas Company, Luzerne County Gas & Electric Corporation and The Philadelphia Gas Works.

Under part three of the plan, U.G.I. proposes to dispose of all of its holdings in other companies within one year, with exception of the note of the Delaware Coach Company in the amount of $916,666.67. It is the contention of U.G.I. that disposition of this note can be made only at a sacrifice.

After consumation of the proposed plan, the capital structure of U.G.I. will be comprised of debt, preferred stock and common equity, as follows:

Long Term Debt		$ 17,598,000	25.3%
Preferred Stock		2,500,000	3.6%
Common Equity:			
Common Stock	$ 18,146,727		
Earned Surplus	28,503,571		
Capital Surplus	2,869,475		
		49,519,773	71.1%
		$ 69,617,773	100.0%

The Pennsylvania Public Utilities Commission, by its order dated June 16, 1952, has approved the plan of merger as outlined herein.

The United Gas Improvement Corporation's comprehensive plan, "which includes its proposed merger" as filed with the Securities and Exchange Commission, after hearings, is now awaiting decision.

The Commission finds:

(1) Allentown, Consumers, Harrisburg and Lancaster own and operate, among other facilities, a natural-gas transmission pipe-line system located in the State of Pennsylvania, and by such operations the afore-mentioned Applicants are engaged in the transportation of natural gas in interstate commerce, subject to the jurisdiction of the Commission and are, therefore, "natural-gas companies" within the meaning of the Natural Gas Act, as heretofore found by the Commission's orders issued December 19, 1949, in Docket Nos. G-1253, G-1254, G-1255 and G-1256. Of the afore-mentioned companies, Allentown, Consumers and Harrisburg are also engaged in the sale of natural gas in interstate commerce for resale for ultimate public consumption.

(2) The properties described above, all as more fully described in the joint application, as supplemented and amended, in Docket No. G-1910, include facilities used in the transportation of natural gas in interstate commerce and in the sale in interstate

commerce of natural gas for resale for ultimate public consumption, and the abandonment, under the plan of merger here proposed, of such facilities to The United Gas Improvement Company is subject to the requirements of subsection (b) of Section 7 of the Natural Gas Act; similarly, their acquisition and operation by U.G.I. are subject to the requirements of subsections (c) and (e) of Section 7 of the Natural Gas Act.

(3) The proposed abandonment by the Applicants (Allentown, Consumers, Harrisburg and Lancaster) of the natural-gas facilities hereinbefore enumerated, and the acquisition and operation thereof by The United Gas Improvement Company are in the public interest; and permission and approval to abandon, and authorization to acquire and operate the same should be given as hereinafter ordered and conditioned.

(4) It is necessary and in the public interest for carrying out the provisions of the Natural Gas Act that appropriate action be taken to modify the orders of the Commission in Docket Nos. G-1030 and G-1247, to effectuate the transfer of the gas supply of Allentown, Consumers, Harrisburg and Lancaster to their successor in interest, The United Gas Improvement Company.

(5) The United Gas Improvement Company, a Pennsylvania corporation, will, upon the acquisition and operation of the facilities above referred to, be engaged in the transportation and sale of natural gas in interstate commerce and will, therefore, be a "natural-gas company" within the meaning of the Natural Gas Act.

(6) Applicant U.G.I. is able and willing properly to do the acts and to perform the services proposed and to conform to the provisions of the Natural Gas Act and the requirements, rules and regulations of the Commission thereunder.

(7) Applicant having requested the omission of the intermediate decision procedure and all the requirements of the provisions of Section 1.32(b) of the Commission's Rules of Practice and Procedure /18 CFR 1.32(b)/ having been satisfied, sufficient cause exists for the Commission forthwith to render its final decision in the instant proceeding.

(8) The present and future public convenience and necessity permit the abandonment under the plan of merger here proposed of the

facilities of Allentown, Consumers, Harrisburg and Lancaster, described herein.

(9) The acquisition and operation by The United Gas Improvement Company of the facilities described herein and more fully set forth in its application, are required by public convenience and necessity, and a certificate therefor should be issued as hereinafter ordered and conditioned.

The Commission orders:

(A) Allentown, Consumers, Harrisburg and Lancaster be and they are hereby granted permission and approval to abandon, under the proposed plan of merger above referred to, the facilities herein described, all as more fully set forth in the joint application, as supplemented and amended, filed by the aforementioned companies in this proceeding.

(B) A certificate of public convenience and necessity be and it is hereby issued to The United Gas Improvement Company to acquire and operate the facilities described above for the transportation and sale of natural gas for resale, all as more fully described in its application, as supplemented and amended, subject to the jurisdiction of the Commission upon the terms and conditions of this order.

(C) The United Gas Improvement Company shall file the necessary motions to modify the Commission's orders issued in Docket Nos. G-1030 and G-1247, to achieve the modification referred to in finding (4) above, within 30 days after the date of issuance of this order, unless extended by further order of the Commission.

(D) The United Gas Improvement Company shall, prior to commencement of the service herein authorized, file with the Commission a tariff and service agreement covering its proposed sale to the City Gas Company of Phillipsburg, New Jersey, which tariff shall include a rate not in excess of that presently charged by Allentown-Bethlehem Gas Company and shall provide the same terms and conditions of service.

(E) The United Gas Improvement Company shall file appropriate accounting entries recording the acquisition of the property of its predecessors in interest, above referred to, in conformity with the provisions of the Commission's Uniform System of Accounts Prescribed for Natural Gas Companies.

(F) The United Gas Improvement Company shall report to the Commission, in writing and under oath, within 30 days from the effective date of this order, unless extended by further order of the Commission, the date of the abandonment of the facilities herein described and the date of acquisition and commencement of operation by The United Gas Improvement Company.

(G) The certificate granted to The United Gas Improvement Company is granted upon condition that U.G.I.'s comprehensive plan of merger be approved by the Securities and Exchange Commission, and the grant of the authorization herein shall be without prejudice to any action which may be taken by that Commission.

(H) The authorization contained in paragraphs (A) and (B) hereof shall be deemed to be effective only upon a modification of the orders in Docket Nos. G-1030 and G-1247, so that U.G.I. will become the recipient of the deliveries of natural gas presently supplied to its subsidiary companies (Allentown, Consumers, Harrisburg and Lancaster) by Philadelphia Electric Company and The Manufacturers Light and Heat Company.

(I) The certificate issued hereby to The United Gas Improvement Company is not transferable, and shall be effective only so long as it shall continue the operations hereby authorized in accordance with the provisions of the Natural Gas Act and any pertinent rules, regulations or orders heretofore or hereafter issued by the Commission.

By the Commission.

Leon M. Fuquay,
Secretary.

Date of Issuance: September 4, 1952

THE UNITED GAS IMPROVEMENT COMPANY

Record A 78264

January 12, 1953.

RECEIVED JAN 13 9 42 AM 1953 SECRETARY'S OFFICE PUBLIC UTILITY COMM.

In re:

Application of THE UNITED GAS IMPROVEMENT COMPANY, ALLENTOWN-BETHLEHEM GAS COMPANY, CONSUMERS GAS COMPANY, THE HARRISBURG GAS COMPANY, LANCASTER COUNTY GAS COMPANY, LEBANON VALLEY GAS COMPANY, LUZERNE COUNTY GAS AND ELECTRIC CORPORATION and THE PHILADELPHIA GAS WORKS COMPANY - For approval of (1) the transfer by merger of all the property, rights, powers, franchises and privileges of the seven last-named companies into The United Gas Improvement Company; (2) the acquisition by The United Gas Improvement Company by merger into it of all the rights, powers, franchises and privileges of the said seven last-named companies; and (3) the beginning of the exercise by The United Gas Improvement Company of all the additional rights, powers, franchises and privileges of the said seven last-named companies necessary and proper for furnishing service to the public in the territories in which the said seven last-named companies now furnish service - A. 78264

Securities Certificate of The United Gas Improvement Company in the matter of the issuance of Cumulative Preferred Stock - S.C. 1325

Securities Certificate of The United Gas Improvement Company in the matter of the issuance of Common Stock - S.C. 1326

Securities Certificate of The United Gas Improvement Company in the matter of the issuance of First Mortgage Bonds - S.C. 1327

RECEIVED BUREAU OF ACCOUNTS JAN 15 1953 PENNSYLVANIA PUBLIC UTILITY COMMISSION

Mr. J. A. Walter, Secretary,
Pennsylvania Public Utility Commission,
Harrisburg, Pennsylvania.

Dear Mr. Walter:

Referring to the Certificate of Public Convenience in the matter of Application at Docket A. 78264 and Order dated June 16, 1952, with respect to said matter, and Securities Certificates Nos. S.C. 1325, S.C. 1326 and S.C. 1327, you are hereby notified as follows:

1. With respect to Docket A. 78264:

On December 31, 1952, Allentown-Bethlehem Gas Company ("Allentown"), Consumers Gas Company ("Consumers"), The Harrisburg Gas Company ("Harrisburg"), Lancaster County Gas Company ("Lancaster"), Lebanon Valley Gas Company ("Lebanon"), Luzerne County Gas and Electric

Corporation ("Luzerne") and The Philadelphia Gas Works Company ("P.G.W.") merged into The United Gas Improvement Company ("U.G.I."), with U.G.I. remaining as the surviving and continuing corporation, all as more particularly provided and set forth in the Agreement of Merger, and, in connection therewith, there were transferred to and vested in U.G.I., as such surviving and continuing corporation, all the rights, privileges and franchises theretofore vested in each of said constituent subsidiary corporations, and all the estate and property, real and personal, and rights of action of each of said corporations, including the transfer to and acquisition by U.G.I. of the securities owned by said corporations; and U.G.I. began the exercise of all the rights, powers, franchises and privileges of the said seven first-named companies necessary and proper for furnishing service to the public in the areas located in the counties of Lehigh, Northampton, Bucks, Berks, Dauphin, Cumberland, York, Lancaster, Lebanon, Luzerne, and the City and County of Philadelphia shown on the map marked Exhibit "9", including the communities listed in Exhibit "4", both said exhibits being of record at A. 78264.

2. With respect to Securities Certificate No. 1325:

As of December 31, 1952, the U.G.I. made available 25,000 shares of its 4-1/4% Preferred Stock to be exchanged, on a share for share basis, for Luzerne's 4-1/4% Preferred Stock to be surrendered.

3. With respect to Securities Certificate No. 1326:

As of December 31, 1952, the U.G.I. made available shares of its Common Stock to be issued in exchange, on a share for share basis, for its Capital Stock.

As of December 31, 1952, the U.G.I. made available shares of its Common Stock to be exchanged for the shares of Capital Stock of Consumers not owned by U.G.I. on the basis of 8/10ths of a share of U.G.I.

Common Stock (and/or cash for fractional interests of less than one share) for each share of Consumers Capital Stock to be surrendered.

As of December 31, 1952, the U.G.I. made available shares of Common Stock to be exchanged for the shares of Common Stock of Harrisburg not owned by U.G.I. on the basis of 4 shares of U.G.I. Common Stock for each share of Harrisburg Common Stock to be surrendered.

4. With respect to Securities Certificate No. 1327:

On and after January 1, 1953, as holders of the First Mortgage Bonds issued respectively by Allentown, Harrisburg and Luzerne surrender such bonds to U.G.I., U.G.I. in exchange therefor, is issuing and delivering to them, as of January 1, 1953, a like principal amount of its First Mortgage Bonds of a series corresponding to the series surrendered together with accrued and unpaid interest, if any, on their bonds up to and including December 31, 1952. The surrendered bonds are being cancelled by U.G.I.

Very truly yours,

THE UNITED GAS IMPROVEMENT COMPANY

By

W. E. Long, President

PENNSYLVANIA
PUBLIC UTILITY COMMISSION

RECEIVED
AUG 1 - '53
Secretary's Office
Public Utility Com.

In the Matter of the Application of

THE UNITED GAS IMPROVEMENT COMPANY, ALLENTOWN-BETHLEHEM GAS COMPANY, CONSUMERS GAS COMPANY THE HARRISBURG GAS COMPANY, LANCASTER COUNTY GAS COMPANY, LEBANON VALLEY GAS COMPANY, LUZERNE COUNTY GAS AND ELECTRIC CORPORATION and THE PHILADELPHIA GAS WORKS COMPANY - For approval of (1) the transfer by merger of all the property, rights, powers, franchises and privileges of the seven last-named companies into The United Gas Improvement Company; (2) the acquisition by The United Gas Improvement Company by merger into it of all the rights, powers, franchises and privileges of the said seven last-named companies; and (3) the beginning of the exercise by The United Gas Improvement Company of all the additional rights, powers, franchises and privileges of the said seven last-named companies necessary and proper for furnishing service to the public in the territories in which the said seven last-named companies now furnish service.

APPLICATION

DOCKET NO.

A. 78264

PETITION FOR MODIFICATION OF PARAGRAPH 6

OF ORDER DATED JUNE 16, 1952

1. The name and address of the Petitioner is:

The United Gas Improvement Company,
1401 Arch Street,
Philadelphia 5, Pa.

AUG 6 - 1953

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

Kenneth B. Anderson,
1401 Arch Street,
Philadelphia 5, Pa.

3. By its Order entered June 16, 1952, in the above entitled matter, your Honorable Commission ordered, inter alia, in paragraph 2 thereof -

"2. That (a) the consolidation and merger of The United Gas Improvement Company, Allentown-Bethlehem Gas Company, Consumers Gas Company, The Harrisburg Gas Company, Lancaster County Gas Company, Lebanon Valley Gas Company, Luzerne County Gas and Electric Corporation, and The Philadelphia Gas Works Company under the name of The United Gas Improvement Company, (b) the transfer, by merger, of all the property, rights, powers, franchises, and privileges of the seven last-named companies to The United Gas Improvement Company, (c) the acquisition by The United Gas Improvement Company, by merger into it, of all the rights, powers, franchises, and privileges of the said seven last-named companies, and (d) the beginning of the exercise by The United Gas Improvement Company, as merged and consolidated, of all the additional rights, powers, franchises, and privileges of the said seven last-named companies necessary and proper for furnishing service to the public in the areas located in the counties of Lehigh, Northampton, Bucks, Berks, Dauphin, Cumberland, York, Lancaster, Lebanon, Luzerne, and the City and County of Philadelphia shown on the map marked Exhibit "9", including the communities listed in Exhibit "4", both said exhibits being of record at A. 78264, be and are hereby approved, and that a certificate of public convenience evidencing approval issue at A. 78264."

and in paragraph 6 thereof -

"6. That The United Gas Improvement Company, as merged and consolidated, shall maintain subsidiary records for each of its following divisions: Allentown-Bethlehem, Harrisburg, Lancaster, Lebanon, Luzerne County, Reading, and Northern Liberties which shall show the original cost of utility plant in service therein, the depreciation and amortization reserves applicable thereto, the cost of materials and supplies carried therefor, the operating revenues and the non-operating revenues earned therein, the direct operating expenses and the direct non-operating expenses incurred in earning said revenues, and an equitable portion of operating and non-operating revenues and expense applicable to two or more of said divisions, exclusive of general administrative expenses and general taxes; and shall submit summaries of said matters, for each division, in each annual report which it will file with us."

4. The merger referred to in the preceding paragraph was duly consummated on December 31, 1952, and your Honorable Commission has been advised to that effect. The Petitioner, The United Gas Improvement Company, as merged and consolidated, has maintained subsidiary records for each of its divisions as prescribed by paragraph 6 of said Order of June 16, 1952, quoted above.

5. The service area of Petitioner's Lebanon Division is physically divided into two parts. The eastern part is wholly within Lebanon County, extends westward from the Berks-Lebanon County line, includes the communities of Myerstown, Richland and

Newmanstown-Sheridan and receives its gas supply from Petitioner's Reading Division gas production plant at Reading. There are 771 customers receiving gas service in this part.

The western part consists of the remainder of the Lebanon Division. It begins at the Borough of Hummelstown in Dauphin County and extends eastward to Avon in Lebanon County and includes the communities of Hershey, Campbellstown, Palmyra, Annville, Cleona, Lebanon and Avon. It receives its gas supply from the gas production plant of the Harrisburg Division at Steelton. There are 9,303 customers receiving gas service in this part.

There is attached hereto as Exhibit A and made a part hereof, a map which shows the service areas described above of Petitioner's Lebanon Division.

A comparison of the number of customers and annual Gross Operating Revenue from gas operations of the Petitioner at June 30, 1953, excluding the operations of the Municipal Gas Works of the City of Philadelphia, before and after the change proposed in Paragraph 6 hereof, is as follows:

Gas Customers Served:

Division	Before	After
Harrisburg	50,863	60,166
Reading	41,689	42,460
Lebanon	10,074	-
Sub-Total	102,626	102,626
Other Gas Divisions (Excluding P.G.W.)	113,721	113,721
Total	216,347	216,347

Gas Operating Revenue:

Harrisburg	$ 3,889,498	$ 4,369,845
Reading	3,567,077	3,601,630
Lebanon	514,900	-
Sub-Total	7,971,475	7,971,475
Other Gas Divisions (Excluding P.G.W.)	7,487,794	7,487,794
Total	$15,459,269	$15,459,269

6. Petitioner desires to eliminate its Lebanon Division as a separate division and to enlarge its Harrisburg Division by adding thereto the present western part of the Lebanon Division, and to enlarge its Reading Division by adding thereto the eastern part of its Lebanon Division. Petitioner believes that the combining of its Harrisburg Division with the western part of its Lebanon Division into a single division, Harrisburg, and the combining of its Reading Division with the eastern part of its Lebanon Division into a single division, Reading, will be beneficial to the Petitioner and to its customers for the following reasons:

(a) The number of accounts, exclusive of Continuing Property Records, to be maintained by the Petitioner (Assets, Liabilities, Income, Operating Revenues, Operating Expenses, etc.) will be reduced by approximately 230 accounts.

(b) Reporting, both for Petitioner's use and for use by regulatory commissions, would be materially simplified.

(c) Continuing Property Records covering the physical property presently in use by the Lebanon Division would be combined with similar records for the Harrisburg and Reading Divisions in such a manner as would clearly identify such property, as required by Rule 4 of the Manufactured Gas Regulations.

(d) The simplification in accounting (General Accounting and Customer Accounting) resulting from the proposed combination of the Lebanon Division with the Harrisburg and Reading Divisions will eventually result in an overall reduction of personnel and operating costs for such activity.

(e) The presentation of data to the Commission in matters involving rates will be simplified in that the source of supply of gas for the Harrisburg and Reading Divisions would be consimilar (parallel) with the service area of the respective Divisions.

(f) The Harrisburg Division and the western part of the Lebanon Division are contiguous and physically interconnected, as will be seen by reference to the map attached hereto as Exhibit A.

(g) The Reading Division and the eastern part of the Lebanon Division are contiguous and physically interconnected, as will be seen by reference to the map attached hereto as Exhibit A.

For the foregoing reasons, Petitioner asserts that it is proper and in the public interest that its prayer hereinafter set forth be granted.

7. In connection with the combination of its Harrisburg Division and the western part of its Lebanon Division and of its Reading Division and the eastern part of the Lebanon Division, as proposed herein, Petitioner further proposes to withdraw the gas service tariff for its Lebanon Division (Supplement No. 3 to Gas Pa. P.U.C. No. 12) and to amend the tariff (Supplement No. 5 to Gas Pa. P.U.C. No. 8) for its Harrisburg Division to include in the service area thereof the western part of the Lebanon Division and to amend the tariff (Supplement No. 4 to Gas Pa. P.U.C. No. 7) for its Reading Division to include in the service area thereof the eastern part of the Lebanon Division. Applications to withdraw the present Lebanon Division tariff and to amend the Harrisburg and Reading Division tariffs, as stated above, will be filed with your Honorable Commission on August 26, 1953, to be effective October 25, 1953.

The gas service tariff for the Harrisburg and Reading Divisions are identical. The approximate effect of the withdrawal of the Lebanon Division tariff and the proposed amendments to the Harrisburg and Reading Division tariffs would be that 3,294 customers (less than 5% of the total gas customers of Petitioner and the revenue therefrom of less than 3% of the total gas operating revenues of Petitioner) of the Lebanon Division would have their rates increased slightly; 6,437 customers would have their rates decreased; and there would be no change for 343 customers; and the overall effect upon Petitioner's customers in the present Lebanon Division would be a rate decrease, inasmuch as Petitioner would receive $3,819 per year less from such customers if the withdrawal of the Lebanon Division tariff and the amendments of the Harrisburg and Reading Division tariffs become effective, as proposed herein.

WHEREFORE, The United Gas Improvement Company prays your Honorable Commission to permit it to combine the western part of its Lebanon Division with and into its Harrisburg Division, to combine the eastern part of its Lebanon Division with and into its Reading Division, and to modify Paragraph 6 of its said Order dated June 16, 1952, by eliminating therefrom the requirement that it shall maintain subsidiary records for its Lebanon Division.

THE UNITED GAS IMPROVEMENT COMPANY,
By

President.

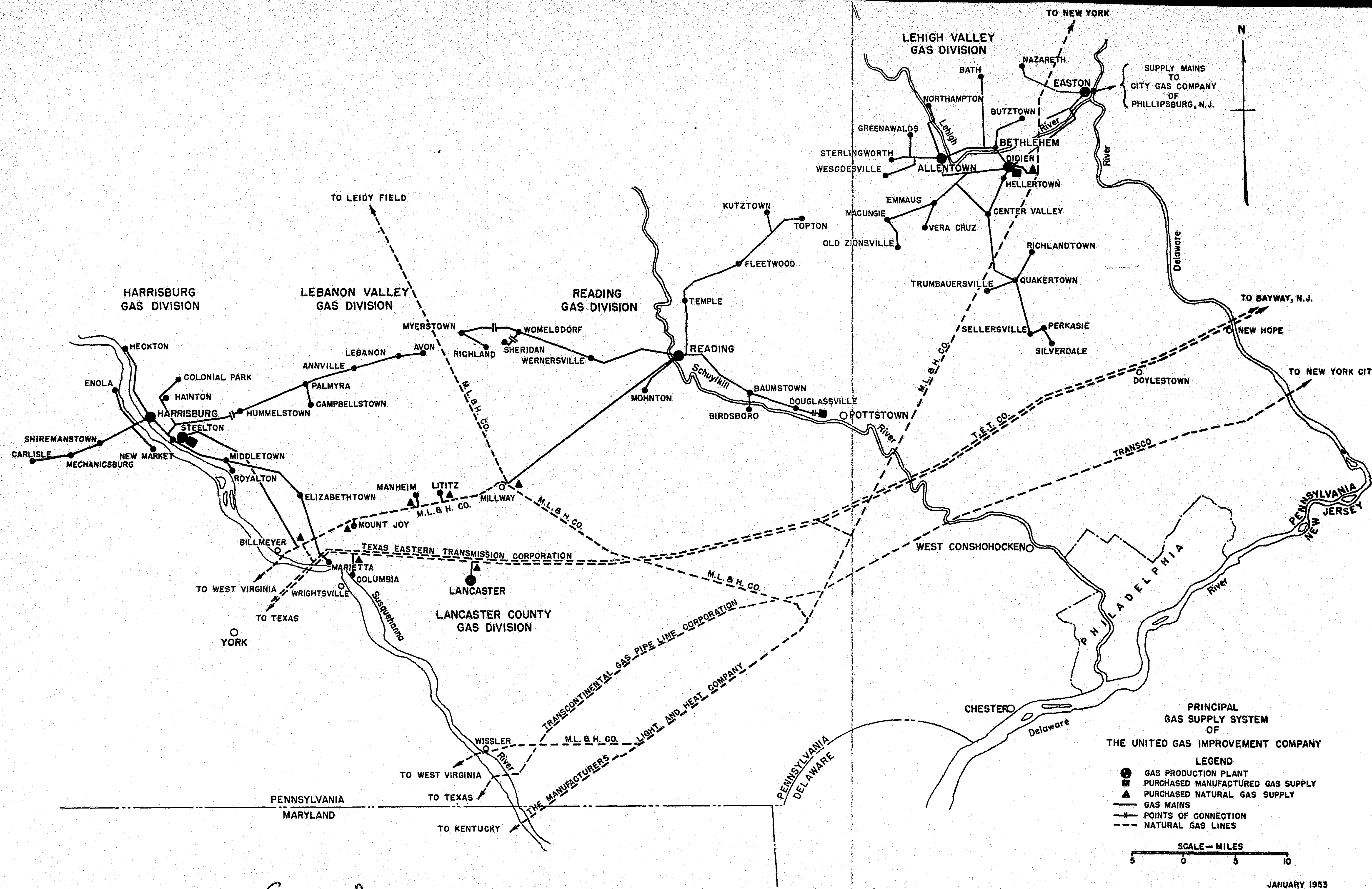
COMMONWEALTH OF PENNSYLVANIA)
: ss.
COUNTY OF PHILADELPHIA)

WALTER E. LONG, being duly sworn according to law, deposes and says that he is President of The United Gas Improvement Company; that he is duly authorized to make this affidavit; that he has read the foregoing Petition; that he is familiar with the facts set forth therein and that such facts are true and correct to the best of his knowledge, information and belief.

Sworn to and subscribed
before me this 31st day
of July , 1953.

Notary Public

My commission expires January 21, 1957.


HARRISBURG GAS DIVISION
LEBANON VALLEY GAS DIVISION
READING GAS DIVISION
LEHIGH VALLEY GAS DIVISION
LANCASTER COUNTY GAS DIVISION
TO NEW YORK
TO LEIDY FIELD
TO BAYWAY, N.J.
TO NEW YORK CITY
TO WEST VIRGINIA
TO TEXAS
TO KENTUCKY
SUPPLY MAINS TO CITY GAS COMPANY OF PHILLIPSBURG, N.J.
HARRISBURG
STEELTON
HECKTON
ENOLA
COLONIAL PARK
HAINTON
HUMMELSTOWN
CAMPBELLSTOWN
PALMYRA
ANNVILLE
LEBANON
AVON
MYERSTOWN
RICHLAND
WOMELSDORF
SHERIDAN
WERNERSVILLE
READING
MOHNTON
TEMPLE
FLEETWOOD
KUTZTOWN
TOPTON
BAUMSTOWN
BIRDSBORO
DOUGLASSVILLE
POTTSTOWN
SHIREMANSTOWN
CARLISLE
MECHANICSBURG
NEW MARKET
MIDDLETOWN
ROYALTON
ELIZABETHTOWN
MANHEIM
LITITZ
MILLWAY
MOUNT JOY
BILLMEYER
MARIETTA
COLUMBIA
WRIGHTSVILLE
LANCASTER
YORK
WISSLER
M.L. & H. CO.
TEXAS EASTERN TRANSMISSION CORPORATION
TRANSCONTINENTAL GAS PIPE LINE CORPORATION
THE MANUFACTURERS LIGHT AND HEAT COMPANY
T.E.T. CO.
TRANSCO
Susquehanna River
Schuylkill River
Lehigh River
Delaware River
PENNSYLVANIA
MARYLAND
PENNSYLVANIA DELAWARE
PENNSYLVANIA NEW JERSEY
PHILADELPHIA
WEST CONSHOHOCKEN
CHESTER
DOYLESTOWN
NEW HOPE
ALLENTOWN
BETHLEHEM
DIDIER
HELLERTOWN
EASTON
NAZARETH
BATH
NORTHAMPTON
BUTZTOWN
GREENAWALDS
STERLINGWORTH
WESCOESVILLE
EMMAUS
MACUNGIE
VERA CRUZ
OLD ZIONSVILLE
CENTER VALLEY
RICHLANDTOWN
QUAKERTOWN
TRUMBAUERSVILLE
SELLERSVILLE
PERKASIE
SILVERDALE
N
PRINCIPAL GAS SUPPLY SYSTEM OF THE UNITED GAS IMPROVEMENT COMPANY
LEGEND
GAS PRODUCTION PLANT
PURCHASED MANUFACTURED GAS SUPPLY
PURCHASED NATURAL GAS SUPPLY
GAS MAINS
POINTS OF CONNECTION
NATURAL GAS LINES
SCALE—MILES
5 0 5 10
JANUARY 1953

Ex A

PENNSYLVANIA PUBLIC UTILITY COMMISSION

Jwa 8-31-53

Application Docket Nos. 78263 and 78264 and Securities Certificate Nos. 1325, 1326 and 1327

In re: Application of THE UNITED GAS IMPROVEMENT COMPANY and THE PHILADELPHIA GAS WORKS COMPANY - For approval of (1) the transfer by The Philadelphia Gas Works Company to The United Gas Improvement Company and the acquisition by the latter of the right to operate the gas facilities of Northern Liberties Gas Company; (2) the beginning of the exercise by The United Gas Improvement Company of the additional rights, powers, franchises and privileges which it proposes to obtain from The Philadelphia Gas Works Company; (3) the resumption of the supplying and distribution of gas, in that part of the City of Philadelphia which was formerly known as the District of Northern Liberties, by The United Gas Improvement Company, as agent for Northern Liberties Gas Company, under the agreement between them of July 2, 1900; and (4) the abandonment by The Philadelphia Gas Works Company of the right, power, franchise and privilege to operate the facilities of Northern Liberties Gas Company, all in the City of Philadelphia - A. 78263
Application of THE UNITED GAS IMPROVEMENT COMPANY, ALLENTOWN-BETHLEHEM GAS COMPANY, CONSUMERS GAS COMPANY, THE HARRISBURG GAS COMPANY, LANCASTER COUNTY GAS COMPANY, LEBANON VALLEY GAS COMPANY, LUZERNE COUNTY GAS AND ELECTRIC CORPORATION and THE PHILADELPHIA GAS WORKS COMPANY - For approval of (1) the transfer by merger of all the property, rights, powers, franchises and privileges of the seven last-named companies into The United Gas Improvement Company; (2) the acquisition by The United Gas Improvement Company by merger into it of all the rights, powers, franchises and privileges of the said seven last-named companies; and (3) the beginning of the exercise by The United Gas Improvement Company of all the additional rights, powers, franchises and privileges of the said seven last-named companies necessary and proper for furnishing service to the public in the territories in which the said seven last-named companies now furnish service - A. 78264
Securities Certificate of The United Gas Improvement Company in the matter of the issuance of Cumulative Preferred Stock - S. C. 1325
Securities Certificate of The United Gas Improvement Company in the matter of the issuance of Common Stock. - S.C. 1326 Securities Certificate of The United Gas Improvement Company in the matter of the issuance of First Mortgage Bonds - S.C. 1327

ORDER

BY THE COMMISSION, AUGUST 24, 1953:

Upon further consideration of certain of the matters and things involved in A. 78263 and A. 78264, we find and determine that it is necessary or proper for the service, accommodation, convenience, or safety of the public to amend paragraph 6 of our Order of June 16, 1952, at the above captioned dockets, which reads as follows:

> "6. That The United Gas Improvement Company, as merged and consolidated, shall maintain subsidiary records for each of its following divisions: Allentown-Bethlehem, Harrisburg, Lancaster, Lebanon, Luzerne County, Reading, and Northern Liberties which shall show the original cost of utility plant in service therein, the depreciation and amortization reserves applicable thereto, the cost of materials and supplies carried therefor, the operating revenues and the non-operating revenues earned therein, the direct operating expenses and the direct non-operating expenses incurred in earning said revenues, and an equitable portion of operating and non-operating revenues and expense applicable to two or more of said divisions, exclusive of general administrative expenses and general taxes; and shall submit summaries of said matters, for each division, in each annual report which it will file with us."

THEREFORE, IT IS ORDERED:

1. That paragraph 6 of our Order of June 16, 1952, at the above captioned dockets, be and is hereby amended by deletion of the word Lebanon (and the comma following it) from the fourth line thereof.

2. That, except for the deletion ordered above, the aforesaid paragraph 6 shall otherwise remain in full force and effect.

3. That The United Gas Improvement Company is hereby permitted, for purposes of accounting and reporting, to eliminate its Lebanon Division, and to combine the eastern part thereof with its Reading Division, and the western part thereof with its Harrisburg Division.

PENNSYLVANIA PUBLIC UTILITY COMMISSION

Leon Schwartz
Chairman

ATTEST:

Caroline J. Walker
Acting Secretary

RECEIVED

SEP 2 8 26 AM 1953

SECRETARY'S OFFICE
PUBLIC UTILITY COMM.

This 1st day of Sept. 1953

the undersigned hereby acknowledges receipt of

7 executed copies of Order

rendered by the Commission in Application Docket

No. 78264 under date of August 24, 1953,

and accepts service thereof in behalf of

THE UNITED GAS IMPROVEMENT COMPANY, ALLENTOWN-BETHLEHEM GAS COMPANY, CONSUMERS GAS COMPANY, THE HARRISBURG GAS COMPANY, LANCASTER COUNTY GAS COMPANY, LEBANON VALLEY GAS COMPANY, LUZERNE COUNTY GAS AND ELECTRIC CORPORATION and THE PHILADELPHIA GAS WORKS COMPANY, applicants

Kenneth E. Anderson
Attorney

PENNSYLVANIA
PUBLIC UTILITY COMMISSION

0R19

In the Matter of the Application of

THE UNITED GAS IMPROVEMENT COMPANY, ALLENTOWN-BETHLEHEM GAS COMPANY, CONSUMERS GAS COMPANY, THE HARRISBURG GAS COMPANY, LANCASTER COUNTY GAS COMPANY, LEBANON VALLEY GAS COMPANY, LUZERNE COUNTY GAS AND ELECTRIC CORPORATION and THE PHILADELPHIA GAS WORKS COMPANY - For approval of (1) the transfer by merger of all the property, rights, powers, franchises and privileges of the seven last-named companies into The United Gas Improvement Company; (2) the acquisition by The United Gas Improvement Company by merger into it of all the rights, powers, franchises and privileges of the said seven last-named companies; and (3) the beginning of the exercise by The United Gas Improvement Company of all the additional rights, powers, franchises and privileges of the said seven last-named companies necessary and proper for furnishing service to the public in the territories in which the said seven last-named companies now furnish service.	APPLICATION DOCKET NO. A. 78264

RECEIVED
DEC 1 '56
Secretary's Office
Public Utility Com.

PETITION FOR FURTHER MODIFICATION OF PARAGRAPH 6

OF ORDER DATED JUNE 16, 1952

1. The name and address of the Petitioner is:

The United Gas Improvement Company,
1401 Arch Street,
Philadelphia 5, Pa.

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

Kenneth B. Anderson, Esq.,
1401 Arch Street,
Philadelphia 5, Pa.

DOCKETED
DEC 1 2 1956

3. By its Order entered June 16, 1952, in the above entitled matter, your Honorable Commission ordered, inter alia, in paragraph 2 thereof -

"2. That (a) the consolidation and merger of The United Gas Improvement Company, Allentown-Bethlehem Gas Company, Consumers Gas Company, The Harrisburg Gas Company, Lancaster County Gas Company, Lebanon Valley Gas Company, Luzerne County Gas and Electric Corporation, and The Philadelphia Gas Works Company under the name of The United Gas Improvement Company, (b) the transfer, by merger, of all the property, rights, powers, franchises and privileges of the seven last-named companies to The United Gas

Improvement Company, (c) the acquisition by The United Gas Improvement Company, by merger into it, of all the rights, powers, franchises, and privileges of the said seven last-named companies, and (d) the beginning of the exercise by The United Gas Improvement Company, as merged and consolidated, of all the additional rights,,powers, franchises, and privileges of the said seven last-named companies necessary and proper for furnishing service to the public in the areas located in the counties of Lehigh, Northampton, Bucks, Berks, Dauphin, Cumberland, York, Lancaster, Lebanon, Luzerne, and the City and County of Philadelphia shown on the map marked Exhibit "9", including the communities listed in Exhibit "4", both said exhibits being of record at A. 78264, be and are hereby approved, and that a certificate of public convenience evidencing approval issue at A. 78264."

and in paragraph 6 thereof -

"6. That The United Gas Improvement Company, as merged and consolidated, shall maintain subsidiary records for each of its following divisions: Allentown-Bethlehem, Harrisburg, Lancaster, Lebanon, Luzerne County, Reading, and Northern Liberties which shall show the original cost of utility plant in service therein, the depreciation and amortization reserves applicable thereto, the cost of materials and supplies carried therefor, the operating revenues and the non-operating revenues earned therein, the direct operating expenses and the direct non-operating expenses incurred in earning said revenues, and an equitable portion of operating and non-operating revenues and expense applicable to two or more of said divisions, exclusive of general administrative expenses and general taxes; and shall submit summaries of said matters, for each division, in each annual report which it will file with us."

4. The merger referred to in the preceding paragraph was duly consummated on December 31, 1952, and your Honorable Commission has been advised to that effect. The Petitioner, The United Gas Improvement Company, as merged and consolidated, has maintained subsidiary records for each of its divisions as prescribed by paragraph 6 of said Order of June 16, 1952, quoted above, except as set forth below:

(a) The Petitioner has ceased to maintain such records for its Lebanon Division pursuant to the authority granted by your Honorable Commission by its Order of August 24, 1953, in Application Docket No. 78264. By such Order your Honorable Commission amended Paragraph 6, quoted above, of its Order of June 16, 1952, by deleting therefrom the word "Lebanon" (and the comma following it) from the fourth line thereof, and permitted the Petitioner, for purposes of accounting and reporting, to eliminate its Lebanon Division and to combine the eastern part thereof with its Reading Division and the western part thereof with its Harrisburg Division;

(b) The Petitioner has ceased to maintain such records forits Northern Liberties Division due to the sale of the Northern Liberties Gas Company properties to The United Gas Improvement Company as operator of the Philadelphia Gas Works, and related transactions, with the approval of your Honorable Commission. Reference is made to your Order of November 21, 1955, in Application Docket Nos. 82371 and 82372, approving such sale and related transactions; and

(c) The Petitioner has ceased to maintain such records for its Kingston Gas District of its Luzerne Electric and Gas Division (referred to in Paragraph 6, quoted above, as its Luzerne County Division) due to the sale by Petitioner of its Kingston Gas District properties and rights to Scranton-Spring Brook Water Service Company, with the approval of your Honorable Commission. Reference is made to your Order of March 12, 1956, in Application Docket No. 82710, approving such sale and related transactions.

5. Following the sale by Petitioner of its gas properties and rights in its Kingston Gas District or area, Luzerne Electric and Gas Division, to Scranton-Spring Brook Water Service Company, as referred to above, there remained in Petitioner's Luzerne Electric and Gas Division, insofar as gas properties and operations are concerned, only Petitioner's gas properties and operations in its Hazleton Gas District of such Luzerne Electric and Gas Division. In its Hazleton District Petitioner manufactures and distributes to 7365 customers a 520 B.t.u. carburetted water gas. The service area of this Hazleton Gas District comprises the City of Hazleton, the Borough of West Hazleton and the second class Township of Hazle, all in Luzerne County.

6. Petitioner desires to eliminate its said Hazleton District from its Luzerne Electric and Gas Division and to enlarge its Lehigh Valley Gas Division by adding thereto said Hazleton District, for the purposes of operation, accounting, reporting, and in all other respects. Petitioner further desires that the name of its Luzerne Electric and Gas Division be changed to Luzerne Electric Division, and that such Division relate solely to the electric operations of Petitioner.

Petitioner further believes that the elimination of its Hazleton District from its Luzerne Electric and Gas Division and the combining of such district with its Lehigh Valley Gas Division will be beneficial to the Petitioner and to its customers for the following reasons:

(a) The number of accounts, exclusive of Continuing Property Records, to be maintained by the Petitioner relating to its Hazleton District (Assets, Liabilities, Income, Operating Revenues, Operating Expenses, etc.) will be reduced approximately 50% from the 236 accounts presently in use. As carburetted water gas is supplied in the Hazleton District, separate accounts will be maintained to show the original cost of utility plant in service therein, the depreciation and amortization reserves applicable thereto, the cost of materials and supplies carried therefor, as well as separate accounts for Operating Revenues and Direct Production Operating Expenses.

(b) Reporting, both for Petitioner's use and for use by the Commission, would be materially simplified, as the Luzerne Division would be concerned with solely electric operations, whereas information and data for all other Divisions would be solely for gas operations.

(c) Continuing Property Records covering the physical property presently in use by the Hazleton District would be combined with similar records for the Lehigh Division in such a manner as would clearly identify such property as required by Rule 4 of both the Manufactured and Natural Gas Regulations.

(d) The simplification in accounting (General Accounting and Customer Accounting) resulting from the proposed combining of the Hazleton District with the Lehigh Division will eventually result in over-all reduction in operating costs for such activity. For example, certain accounts presently maintained by the Luzerne Division for costs common to both Electric and Gas operations will be eliminated, and accounting processes relating thereto simplified.

(e) The presentation of data to the Commission in matters involving Petitioner's rates will be simplified in that the operations of the Luzerne Division will be solely related to electric operations, whereas the operationsof its other Divisions will be related only to gas operations.

For the foregoing reasons, Petitioner asserts that it is proper and in the public interest that its prayer hereinafter set forth be granted.

7. A comparison of the number of customers and annual Gross Operating Revenue from gas operations of the Petitioner at October 31, 1956, excluding its operations of the Philadelphia Gas Works owned by the City of Philadelphia, before and after the change proposed in Paragraph 6 hereof, is as follows:

Gas Customers Served:

Division	Before	After
Lehigh	69,233	76,598
Luzerne - Hazleton District	7,365	-
Sub-Total	76,598	76,598
Other Gas Divisions (Excluding P.G.W.)	129,552	129,552
Total	206,150	206,150

Gas Operating Revenue:

Lehigh	$6,288,708	$6,622,893
Luzerne- Hazleton District	334,185	-
Sub-Total	$6,622,893	$6,622,893
Other Gas Divisions (Excluding P.G.W.)	12,576,592	12,576,592
TOTAL	$19,199,485	$19,199,485

8. The proposed combining of the Hazleton Gas District of Petitioner's Luzerne Electric and Gas Division with its Lehigh Valley Gas Division will not necessitate any changes in gas service tariffs, as Petitioner's Tariff Gas-Pa. P.U.C. No. 13 only applies to the Hazleton Gas District and will continue in effect.

WHEREFORE, The United Gas Improvement Company prays your Honorable Commission, effective as of December 31, 1956, (1) to permit it, for purposes of accounting and reporting and for all other purposes, to eliminate its Hazleton Gas District from its Luzerne Electric and Gas Division; (2) to permit it to change the name of its Luzerne Electric and Gas Division to Luzerne Electric Division; (3) to permit it to combine its Hazleton Gas District, for purposes of accounting and reporting and for all other purposes, with its Lehigh Valley Gas Division; and (4) to further modify Paragraph 6 of its said Order dated June 16, 1952, as amended, so that it will properly reflect the matters referred to in paragraph 4(b) and (c) above and the permissions sought by this application.

THE UNITED GAS IMPROVEMENT COMPANY,
By

E H Smoker

E. H. Smoker,
President.

COMMONWEALTH OF PENNSYLVANIA)
: ss.
COUNTY OF PHILADELPHIA)

E. H. SMOKER, being duly sworn according to law, deposes and says that he is President of The United Gas Improvement Company; that he is duly authorized to make this affidavit; that he has read the foregoing Petition; that he is familiar with the facts set forth therein and that such facts are true and correct to the best of his knowledge, information and belief.

E H Smoker

Sworn to and subscribed before me this 30th day of November, 1956.

Jas J Fallon
Notary Public

My commission expires January 21, 1957.

PENNSYLVANIA PUBLIC UTILITY COMMISSION

Application Docket No. 78264

In re: Application of THE UNITED GAS IMPROVEMENT COMPANY, ALLENTOWN-BETHLEHEM GAS COMPANY, CONSUMERS GAS COMPANY, THE HARRISBURG GAS COMPANY, LANCASTER COUNTY GAS COMPANY, LEBANON VALLEY GAS COMPANY, LUZERNE COUNTY GAS AND ELECTRIC CORPORATION and THE PHILADELPHIA GAS WORKS COMPANY - For approval of (1) the transfer by merger of all the property, rights, powers, franchises and privileges of the seven last-named companies into The United Gas Improvement Company; (2) the acquisition by The United Gas Improvement Company by merger into it of all the rights, powers, franchises and privileges of the said seven last-named companies; and (3) the beginning of the exercise by The United Gas Improvement Company of all the additional rights, powers, franchises and privileges of the said seven last-named companies necessary and proper for furnishing service to the public in the territories in which the said seven last-named companies now furnish service.

ORDER

BY THE COMMISSION, DECEMBER 17, 1956:

Upon further consideration of the matters and things involved in A. 78264, we find and determine that it is necessary or proper for the service, accommodation, convenience, or safety of the public to further amend Paragraph 6 of our Order entered on June 16, 1952, and amended on August 24, 1953, at the above-captioned docket, which, as amended, reads as follows:

> "6. That The United Gas Improvement Company, as merged and consolidated, shall maintain subsidiary records for each of its following divisions: Allentown-Bethlehem, Harrisburg, Lancaster, Luzerne County, Reading, and Northern Liberties which shall show the original cost of utility plant in service therein, the depreciation and amortization reserves applicable thereto, the cost of materials and supplies carried therefor, the operating revenues and the non-operating revenues earned therein, the direct operating expenses and the direct non-operating expenses incurred in earning said revenues, and an equitable portion of operating and non-operating revenues and expense applicable to two or more of said divisions, exclusive of general administrative expenses and general taxes; and shall submit summaries of said matters, for each division, in each annual report which it will file with us."

THEREFORE, IT IS ORDERED:

1. That Paragraph 6 of our Order of June 16, 1952, as amended by our Order entered on August 24, 1953, at the above-captioned docket, be and is hereby further amended to read as follows:

6. That The United Gas Improvement Company, as merged and consolidated, shall maintain subsidiary records by divisions as follows: Harrisburg, Lancaster, Lehigh Valley, and Reading gas divisions and Luzerne electric division, which shall show the original cost of utility plant in service therein, the depreciation and amortization reserves applicable thereto, the cost of materials and supplies carried therefor, the operating revenues and the non-operating revenues earned therein, the direct operating expenses and the direct non-operating expenses incurred in earning said revenues, and an equitable portion of operating and non-operating revenues and expense applicable to two or more of said divisions, exclusive of general administrative expenses and general taxes; and shall submit summaries of said matters, for each division, in each annual report which it will file with us.

2. That The United Gas Improvement Company is hereby permitted, for purposes of accounting and reporting, to eliminate its Hazleton Gas District and its former Kingston Gas District from its Luzerne Electric Division and to combine its Hazleton Gas District with its Lehigh Valley Gas Division.

PENNSYLVANIA PUBLIC UTILITY COMMISSION

Leo Schwartz
Chairman

ATTEST:

William P. Roan
Secretary

RECEIVED
SECRETARY'S OFFICE
PUBLIC UTILITY COMM

1957 JAN 7 AM 9:21

This 4th day of January 1957

the undersigned hereby acknowledges receipt of

8 executed copies of Order

rendered by the Commission in Application Docket

No. 78264 under date of Dec. 17, 1956,

and accepts service thereof in behalf of THE UNITED GAS IMPROVEMENT COMPANY, ALLENTOWN-BETHLEHEM GAS COMPANY, CONSUMERS GAS COMPANY, THE HARRISBURG GAS COMPANY, LANCASTER COUNTY GAS COMPANY, LEBANON VALLEY GAS COMPANY, LUZERNE COUNTY GAS AND ELECTRIC CORPORATION and THE PHILADELPH A GAS WORKS COMPANY

George S. Webster

JAN 7 1956

PENNSYLVANIA
PUBLIC UTILITY COMMISSION

In the Matter of the Application of

THE UNITED GAS IMPROVEMENT COMPANY, ALLENTOWN-BETHLEHEM GAS COMPANY, CONSUMERS GAS COMPANY, THE HARRISBURG GAS COMPANY, LANCASTER COUNTY GAS COMPANY, LEBANON VALLEY GAS COMPANY, LUZERNE COUNTY GAS AND ELECTRIC CORPORATION AND THE PHILADELPHIA GAS WORKS COMPANY - For approval of (1) the transfer by merger of all the property, rights, powers, franchises and privileges of the seven last-named companies into The United Gas Improvement Company; (2) the acquisition by The United Gas Improvement Company by merger into it of all the rights, powers, franchises and privileges of the said seven last-named companies; and (3) the beginning of the exercise by The United Gas Improvement Company of all the additional rights, powers, franchises and privileges of the said seven last-named companies necessary and proper for furnishing service to the public in the territories in which the said seven last-named companies now furnish service.

APPLICATION

DOCKET NO.

A. 78264

RECEIVED
SECRETARY'S OFFICE
PUBLIC UTILITY COMM
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PETITION FOR AMENDMENT OF PARAGRAPH 6
OF ORDER DATED JUNE 16, 1952,
AS AMENDED BY
ORDERS OF AUGUST 24, 1953,
AND DECEMBER 17, 1956

DOCKETED
APPLICATION DOCKET
JAN 16 1958
ENTRY No.

1. The name and address of the Petitioner is:

The United Gas Improvement Company,
1401 Arch Street,
Philadelphia 5, Pa.

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

Kenneth B. Anderson, Esq.,
1401 Arch Street,
Philadelphia 5, Pa.

RECORD
FOLDER

3. By its Order entered December 17, 1956, in the above entitled matter, your Honorable Commission ordered in paragraph 1 thereof that paragraph 6 of its Order of June 16, 1952, as amended by its Order entered on August 24, 1953, at the above-captioned docket, be further amended to read as follows:

"6. That The United Gas Improvement Company, as merged and consolidated, shall maintain subsidiary records by divisions as follows: Harrisburg, Lancaster, Lehigh Valley, and Reading gas divisions and Luzerne electric division, which shall show the original cost of utility plant in service therein, the depreciation and amortization reserves applicable thereto, the cost of materials and supplies carried therefor, the operating revenues and the non-operating revenues earned therein, the direct operating expenses and the direct non-operating expenses incurred in earning said revenues, and an equitable portion of operating and non-operating revenues and expense applicable to two or more of said divisions, exclusive of general administrative expenses and general taxes; and shall submit summaries of said matters, for each division, in each annual report which it will file with us."

and in paragraph 2 thereof permitted Petitioner,

"for purposes of accounting and reporting, to eliminate its Hazleton Gas District and its former Kingston Gas District from its Luzerne Electric Division and to combine its Hazleton Gas District with its Lehigh Valley Gas Division".

4. Since the issuance of said Order of December 17, 1956, Petitioner has maintained subsidiary records by divisions as prescribed by paragraph 6 of said Order of June 16, 1952, as amended.

5. Petitioner now desires to be permitted to cease maintaining separate subsidiary records for each of its gas divisions, namely, its Harrisburg, Lancaster County, Lehigh Valley and Reading Gas Divisions and desires to be permitted to maintain its records in the future solely on the basis of the kind of service it renders to the public, namely, gas service and electric service.

This might be accomplished by your Honorable Commission further amending said paragraph 6, as amended, to read substantially as follows:

"6. That The United Gas Improvement Company, as merged and consolidated, shall maintain subsidiary records by kind of service rendered as follows: electric service by Luzerne Electric Division, and gas service by Harrisburg, Lancaster County, Lehigh Valley and Reading Gas Divisions, on a consolidated basis, which shall show the original cost of utility plant in service therein, the depreciation and amortization reserves applicable thereto, the cost of materials and supplies carried therefor, the operating revenues and the non-operating revenues earned therein, the direct operating expenses and the direct non-operating expenses incurred in earning said revenues, and an equitable portion of operating and non-operating revenues and expense applicable to both kinds of service, exclusive of general administrative expenses and general taxes; and shall submit summaries of said matters, for each kind of service, in each annual report commencing with that for the year 1957 which it will file with us."

6. Your Honorable Commission, in permitting Petitioner's Tariff Gas-Pa. P.U.C. No. 15 to become effective on October 27, 1957, for Petitioner's Harrisburg, Lancaster County, Lehigh Valley and Reading Gas Divisions, established a uniform gas rate for such divisions and recognized that such divisions are being operated as an integrated gas system.

7. Petitioner further believes that the elimination of the requirement for maintaining subsidiary records for each gas division and the combining of such divisions for purposes of accounting and reporting will be beneficial to the Petitioner and to its customers for the following reasons:

(a) The number of accounts to be maintained by the Petitioner will be materially reduced.

(b) Reporting, both for Petitioner's use and for use by regulatory commissions, would be materially simplified.

(c) Simplification of auditing procedures will result in a reduction of cost for such activity.

(d) The combining of divisional records will permit further centralization and mechanization in processing accounting data.

(e) Continuing Property Records covering physical property presently in use by the several gas divisions would be combined but in such a manner as would clearly identify such property geographically, as required by Rule 4 of both the Manufactured and Natural Gas Regulations.

(f) Simplification in accounting resulting from the proposed combining of the several gas divisions will eventually result in an over-all reduction in operating costs for such activities.

(g) The presentation of data to the Commission in matters involving Petitioner's rates will be simplified in that the gas operations of the Petitioner will be clearly segregated from its electric operations.

For the foregoing reasons, Petitioner asserts that it is proper and in the public interest that its prayer hereinafter set forth be granted.

WHEREFORE, The United Gas Improvement Company prays your Honorable Commission, (1) to permit it, for purposes of accounting and reporting and for all other purposes to combine its gas divisions, namely, Harrisburg, Lancaster County, Lehigh Valley and Reading Gas Divisions; and (2) to further modify paragraph 6 of its said Order dated June 16, 1952, as amended, substantially as set forth in paragraph 5 above, so that it will properly reflect the permissions sought by this application.

THE UNITED GAS IMPROVEMENT COMPANY,
By

E H Smoker

E. H. Smoker,
President.

COMMONWEALTH OF PENNSYLVANIA)
: ss.
COUNTY OF PHILADELPHIA)

E. H. SMOKER, being duly sworn according to law, deposes and says that he is President of The United Gas Improvement Company; that he is duly authorized to make this affidavit; that he has read the foregoing Petition; that he is familiar with the facts set forth therein and that such facts are true and correct to the best of his knowledge, information and belief.

E H Smoker

Sworn to and subscribed
before me this 9th day
of January, 1958.

(SEAL)

James J Fallon
Notary Public
My Commission Expires January 21, 1961
Philadelphia, Philadelphia County, Pa.