

# **Large Filing Separator Sheet**

**Case Number : 02-1968-GA-CRS**

**File Date : 10/14/2008**

**Section : 2 of 2**

**Number of Pages : 107**

**Description of Document : Renewal  
Certification Application**

***Changes in commodity market prices may have a negative effect on our liquidity.***

Depending on the terms of our contracts with suppliers and some large customers, and for all of our contracts with the NYMEX, a change in the market price of LPG, electricity or natural gas could create a margin payment obligation by the Company or one of its subsidiaries and expose us to an increased liquidity risk.

***Our operations may be adversely affected by competition from other energy sources.***

Our energy products and services face competition from other energy sources, some of which are less costly for equivalent energy value. In addition, we cannot predict the effect that the development of alternative energy sources might have on our operations.

Our propane businesses compete for customers against suppliers of electricity, fuel oil and natural gas. Electricity is a major competitor of propane, but propane generally enjoys a competitive price advantage over electricity for space heating, water heating and cooking. Fuel oil is also a major competitor of propane and is generally less expensive than propane. Furnaces and appliances that burn propane will not operate on fuel oil and vice versa, so a conversion from one fuel to the other requires the installation of new equipment. Our customers generally have an incentive to switch to fuel oil only if fuel oil becomes significantly less expensive than propane. Except for certain industrial and commercial applications, propane is generally not competitive with natural gas in areas where natural gas pipelines already exist because natural gas is generally a less expensive source of energy than propane. The gradual expansion of natural gas distribution systems in our service areas has resulted in the availability of natural gas in some areas that previously depended upon propane. As long as natural gas remains a less expensive energy source than propane, our propane business will lose customers in each region into which natural gas distribution systems are expanded. In France, the state-owned natural gas monopoly, Gaz de France, has in the past extended France's natural gas grid.

Our natural gas businesses compete primarily with electricity and fuel oil, and, to a lesser extent, with propane and coal. Competition among these fuels is primarily a function of their comparative price and the relative cost and efficiency of fuel utilization equipment. There can be no assurance that our natural gas revenues will not be adversely affected by this competition.

***Our ability to increase revenues is adversely affected by the maturity of the retail propane industry.***

The retail propane industry in the U.S., France and Austria is mature, with only modest growth in total demand for the product foreseen. Given this limited growth, we expect that year-to-year industry volumes will be principally affected by weather patterns. Therefore, our ability to grow within the propane industry is dependent on our ability to acquire other retail distributors and to achieve internal growth, which includes expansion of the AmeriGas Cylinder Exchange and Strategic Accounts programs, as well as the success of our sales and marketing programs designed to attract and retain customers. Any failure to retain and grow our customer base would have an adverse effect on our results.

***Our ability to grow our businesses will be adversely affected if we are not successful in making acquisitions or in integrating the acquisitions we have made.***

One of our strategies is to grow through acquisitions in the United States and in international markets. We may choose to finance future acquisitions with debt, equity, cash or a combination of the three. We can give no assurances that we will find attractive acquisition candidates in the future, that we will be able to acquire such candidates on economically acceptable terms, that any acquisitions will not be dilutive to earnings or that any additional debt incurred to finance an acquisition will not affect our ability to pay dividends.

In addition, the restructuring of the energy markets in the United States and internationally, including the privatization of government-owned utilities and the sale of utility-owned assets, is creating opportunities for, and competition from, well-capitalized competitors, which may affect our ability to achieve our business strategy.

To the extent we are successful in making acquisitions, such acquisitions involve a number of risks, including, but not limited to, the assumption of material liabilities, the diversion of management's attention from the management of daily operations to the integration of operations, difficulties in the assimilation and retention of employees and difficulties in the assimilation of different cultures and practices, as well as in the assimilation of broad and geographically dispersed personnel and operations. The failure to successfully integrate acquisitions could have an adverse affect on our business, financial condition and results of operations.

***Our need to comply with comprehensive, complex, and sometimes unpredictable government regulations may increase our costs and limit our revenue growth, which may result in reduced earnings.***

While we generally refer to our Gas Utility and Electric Utility segments as our "regulated segments," there are many governmental regulations that have an impact on our businesses. Existing statutes and regulations may be revised or reinterpreted and new laws and regulations may be adopted or become applicable to the Company which may affect our businesses in ways that we cannot predict.

In our Gas Utility and Electric Utility segments, our operations are subject to regulation by the PUC. The PUC, among other things, approves the rates that UGI Utilities and UGIPNG may charge to its utility customers, thus impacting the returns that UGI Utilities and UGIPNG may earn on the assets that are dedicated to those operations. If UGI Utilities or UGIPNG are required in a rate proceeding to reduce the rates they charge their utility customers, or if UGI Utilities or UGIPNG are unable to obtain approval for rate increases from the PUC, particularly when necessary to cover increased costs, UGI Utilities' and UGIPNG's revenue growth will be limited and their earnings may decrease.

***We are subject to operating and litigation risks that may not be covered by insurance.***

Our business operations in the U.S. and other countries are subject to all of the operating hazards and risks normally incidental to the handling, storage and distribution of combustible

products, such as LPG, propane and natural gas, and the generation of electricity. These risks could result in substantial losses due to personal injury and/or loss of life, severe damage to and destruction of property and equipment and pollution or other environmental damage. As a result, we are sometimes a defendant in legal proceedings and litigation arising in the ordinary course of business. We believe that we are adequately insured for claims in excess of our self-insurance; however, certain types of damages, such as punitive damages and penalties, if any, may not be covered by insurance. There can be no assurance that our insurance will be adequate to protect us from all material expenses related to pending and future claims or that such levels of insurance will be available in the future at economical prices.

***We may be unable to respond effectively to competition, which may adversely affect our operating results.***

We may be unable to timely respond to changes within the energy and utility sectors that may result from regulatory initiatives to further increase competition within our industry. Such regulatory initiatives may create opportunities for additional competitors to enter our markets and, as a result, we may be unable to maintain our revenues or continue to pursue our current business strategy.

***Our net income will decrease if we are required to incur additional costs to comply with new governmental safety, health, transportation and environmental regulation.***

We are subject to extensive and changing international, federal, state and local safety, health, transportation and environmental laws and regulations governing the storage, distribution and transportation of our energy products.

New regulations, or a change in the interpretation of existing regulations, could result in increased expenditures. In addition, for many of our operations, we are required to obtain permits from regulatory authorities. Failure to comply with these permits or applicable laws could result in civil and criminal fines or the cessation of the operations in violation.

We are investigating and remediating contamination at a number of present and former operating sites in the U.S., including former sites where we or our former subsidiaries operated manufactured gas plants. We have also received claims from third parties that allege that we are responsible for costs to clean up properties where we or our former subsidiaries operated a manufactured gas plant or conducted other operations. Costs we incur to remediate sites outside of Pennsylvania cannot be recovered in future UGI Utilities' rate proceedings, and insurance may not cover all or even part of these costs. Our actual costs to clean up these sites may exceed our current estimates due to factors beyond our control, such as:

- the discovery of presently unknown conditions;
- changes in environmental laws and regulations;
- judicial rejection of our legal defenses to the third-party claims; or
- the insolvency of other responsible parties at the sites at which we are involved.

In addition, if we discover additional contaminated sites, we could be required to incur material costs, which would reduce our net income.

***The expansion of our international business means that we will face increased risks, which may negatively affect our business results.***

Our acquisition of Antargaz in March of 2004 significantly increased our international presence. As we continue to add new subsidiaries and enter into new joint ventures in countries around the world, we face risks in doing business abroad that we do not face domestically. Certain aspects inherent in transacting business internationally could negatively impact our operating results, including:

- costs and difficulties in staffing and managing international operations;
- tariffs and other trade barriers;
- difficulties in enforcing contractual rights;
- longer payment cycles;
- local political and economic conditions;
- potentially adverse tax consequences, including restrictions on repatriating earnings and the threat of “double taxation;”
- fluctuations in currency exchange rates, which can affect demand and increase our costs; and
- regulatory requirements and changes in regulatory requirements, including French and EU competition laws that may adversely affect the terms of contracts with customers, and strict regulations applicable to the storage and handling of LPG.

On June 14, 2005, officials from France’s General Division of Competition, Consumption and Fraud Punishment (“DGCCRF”) conducted an unannounced inspection of, and obtained documents from, Antargaz’ headquarters building. Management believes that the DGCCRF performed similar unannounced inspections and document seizures at the locations of other distributors of LPG in France, as well as the industry association, Comité Français du Butane et du Propane (“CFBP”). The investigation apparently sought evidence of unlawful anticompetitive activities affecting the packaged LP gas (i.e., cylinder) business in northern France. Management intends to cooperate with the investigation, if it should receive any further inquiries.

In an apparently unrelated matter, on October 17, 2005, the DGCCRF, with Antargaz’ knowledge and cooperation, interviewed Antargaz’ director of supply and director of logistics regarding the purchase of LP gas by Antargaz and Antargaz’ distribution network. The agency’s questions appeared to focus solely on the auto gas (i.e., motor fuel) market in France. The DGCCRF indicated at that time that it also intended to interview other industry participants (the agency

interviewed CFBP on the same topic in January of 2006). The agency also indicated that it should not require any further interviews of Antargaz personnel and no further inquiries have been received regarding this matter.

In the event Antargaz were found to have violated the competition laws in France, it would be subject to civil penalties up to a maximum of 10% of the total revenues of UGI.

#### **ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.

#### **ITEM 3. LEGAL PROCEEDINGS**

With the exception of the matters set forth below, no material legal proceedings are pending involving UGI, any of its subsidiaries, or any of their properties, and no such proceedings are known to be contemplated by governmental authorities other than claims arising in the ordinary course of business.

##### **Environmental Matters - Manufactured Gas Plants**

From the late 1800s through the mid-1900s, UGI Utilities and its former subsidiaries owned and operated a number of manufactured gas plants ("MGPs") prior to the general availability of natural gas. Some constituents of coal tars and other residues of the manufactured gas process are today considered hazardous substances under the Superfund Law and may be present on the sites of former MGPs. Between 1882 and 1953, UGI Utilities owned the stock of subsidiary gas companies in Pennsylvania and elsewhere and also operated the businesses of some gas companies under agreement. Pursuant to the requirements of the Public Utility Holding Company Act of 1935, UGI Utilities divested all of its utility operations other than those which now constitute UGI Gas and Electric Utility by the early 1950s.

UGI Utilities does not expect its costs for investigation and remediation of hazardous substances at Pennsylvania MGP sites to be material to its results of operations because UGI Utilities (excluding UGIPNG) is currently permitted to include in rates, through future base rate proceedings, prudently incurred remediation costs associated with such sites.

As a result of the acquisition of PG Energy by UGI Utilities' wholly owned subsidiary, UGIPNG, UGIPNG became party to a Multi-site Remediation Consent Order and Agreement between PG Energy and the Pennsylvania Department of Environmental Protection dated March 31, 2004 ("Multi-Site Agreement"). The Multi-Site Agreement requires UGIPNG to perform annually a specified level of activities associated with environmental investigation and remediation work at 11 currently owned properties on which MGP-related facilities were operated ("Properties"). Under the Multi-Site Agreement, environmental expenditures, including costs to perform work on the

Properties, are capped at \$1.1 million in any calendar year. Costs related to investigation and remediation of one property formerly owned by UGIPNG are also included in this cap. The Multi-Site Agreement terminates at the end of 15 years but may be terminated by either party at the end of any two-year period beginning with the effective date. In accordance with existing regulatory practices of the PUC, UGIPNG currently amortizes as removal cost over a five-year period site-specific environmental investigation and remediation costs.

UGI Utilities has been notified of several sites outside Pennsylvania on which private parties allege MGPs were formerly owned or operated by UGI Utilities or owned or operated by its former subsidiaries. Such parties are investigating the extent of environmental contamination or performing environmental remediation. UGI Utilities is currently litigating four claims against it relating to out-of-state sites.

City of Bangor, Maine v. Citizens Communications Co. In April 2003, Citizens Communications Company ("Citizens") served a complaint naming UGI Utilities as a third-party defendant in a civil action pending in the United States District Court for the District of Maine. In that action, the plaintiff, City of Bangor, Maine ("City"), sued Citizens to recover environmental response costs associated with MGP wastes generated at a plant allegedly operated by Citizens' predecessors at a site on the Penobscot River. Citizens subsequently joined UGI Utilities and ten other third-party defendants alleging that the third-party defendants are responsible for an equitable share of costs Citizens may be required to pay to the City for cleaning up tar deposits in the Penobscot River. Citizens alleges that UGI Utilities and its predecessors owned and operated the plant from 1901 to 1928. Studies conducted by the City and Citizens suggest that it could cost up to \$18 million to clean up the river. Citizens' third-party claims have been stayed pending a resolution of the City's suit against Citizens, which was tried in September 2005. Maine's Department of Environmental Protection ("DEP") informed UGI Utilities in March of 2005 that it considers UGI Utilities to be a potentially responsible party for costs incurred by the State of Maine related to gas plant contaminants at this site. On June 27, 2006, the court issued an order finding Citizens responsible for 60% of the cleanup costs. The amount of Citizens' liability has not been finally determined. The court has stayed further proceedings while Citizens and the City discuss settlement. UGI Utilities believes that it has good defenses to Citizens' claim and to any claim that the DEP may bring to recover its costs.

Consolidated Edison Company of New York v. UGI Utilities, Inc. On September 20, 2001, Consolidated Edison Company of New York ("ConEd") filed suit against UGI Utilities in the United States District Court for the Southern District of New York, seeking contribution from UGI Utilities for an allocated share of response costs associated with investigating and assessing gas plant related contamination at former MGP sites in Westchester County, New York. The complaint alleges that UGI Utilities "owned and operated" the MGPs prior to 1904. The complaint also seeks a declaration that UGI Utilities is responsible for an allocated percentage of future investigative and remedial costs at the sites. ConEd believes that the cost of remediation for all of the sites could exceed \$70 million.

The trial court granted UGI Utilities' motion for summary judgment and dismissed ConEd's complaint. The grant of summary judgment was entered April 1, 2004. ConEd appealed and on September 9, 2005 a panel of the Second Circuit Court of Appeals affirmed in part and reversed in part the decision of the trial court. The appellate panel affirmed the trial court's decision dismissing claims

that UGI Utilities was liable under CERCLA as an operator of MGPs owned and operated by its former subsidiaries. The appellate panel reversed the trial court's decision that UGI Utilities was released from liability at three sites where UGI Utilities operated MGPs under lease. On October 7, 2005, UGI Utilities filed for reconsideration of the panel's order, which was denied by the Second Circuit Court of Appeals on January 17, 2006. On April 14, 2006, UGI Utilities filed a petition requesting that the United States Supreme Court review the decision of the Second Circuit Court of Appeals. On October 2, 2006, the United States Supreme Court entered an order inviting the Solicitor General to file a brief expressing the views of the United States in this case.

Atlanta Gas Light Company v. UGI Utilities, Inc. By letter dated July 29, 2003, Atlanta Gas Light Company ("AGL") served UGI Utilities with a complaint filed in the United States District Court for the Middle District of Florida in which AGL alleges that UGI Utilities is responsible for 20% of approximately \$8 million incurred by AGL in the investigation and remediation of a former MGP site in St. Augustine, Florida. UGI Utilities formerly owned stock of the St. Augustine Gas Company, the owner and operator of the MGP. On March 22, 2005, the trial court granted UGI Utilities' motion for summary judgment. AGL appealed, and on September 6, 2006, the Eleventh Circuit Court of Appeals affirmed the trial court's entry of summary judgment, effectively terminating the case.

Savannah, Georgia Matter. AGL previously informed UGI Utilities that it was investigating contamination that appeared to be related to MGP operations at a site owned by AGL in Savannah, Georgia. A former subsidiary of UGI Utilities operated the MGP in the early 1900s. AGL informed UGI Utilities that it has begun remediation of MGP wastes at the site and believes that the total cost of remediation could be as high as \$55 million. AGL has not filed suit against UGI Utilities for a share of these costs. UGI Utilities believes that it will have good defenses to any action that may arise out of this site.

Sag Harbor, New York Matter. By letter dated June 24, 2004, KeySpan Energy ("KeySpan") informed UGI Utilities that KeySpan has spent \$2.3 million and expects to spend another \$11 million to clean up an MGP site it owns in Sag Harbor, New York. KeySpan believes that UGI Utilities is responsible for approximately 50% of these costs as a result of UGI Utilities' alleged direct ownership and operation of the plant from 1885 to 1902. By letter dated June 6, 2006, KeySpan reported that the New York Department of Environmental Conservation has approved a remedy for the site that is estimated to cost approximately \$10 million. KeySpan believes that the cost could be as high as \$20 million. UGI Utilities is in the process of reviewing the information provided by KeySpan and is investigating this claim.

Yankee Gas Services Company and Connecticut Light and Power Company v. UGI Utilities, Inc. On September 11, 2006, UGI Utilities received a complaint filed by Yankee Gas Services Company and Connecticut Light and Power Company, subsidiaries of Northeast Utilities, (together the "Northeast Companies") in the United States District Court for the District of Connecticut seeking contribution from UGI Utilities for past and future remediation costs related to MGP operations on thirteen sites owned by the Northeast Companies in nine cities in the State of Connecticut. The Northeast Companies allege that UGI Utilities controlled operations of the plants from 1883 to 1941. The Northeast Companies estimate that remediation costs for all of the sites would total approximately \$215 million and assert that UGI Utilities is responsible for approximately \$103 million of this amount.



Based on information supplied by the Northeast Companies and UGI Utilities' own investigation, UGI Utilities believes that it may have operated one of the sites, Waterbury North, under lease for a portion of its operating history. UGI Utilities is reviewing the Northeast Companies' estimate that remediation costs at Waterbury North could total \$23 million. UGI Utilities believes that it has good defenses to the claim.

South Carolina Electric & Gas Company v. UGI Utilities, Inc. On September 22, 2006, South Carolina Electric & Gas Company ("SCE&G"), a subsidiary of SCANA Corporation, filed a lawsuit against UGI Utilities in the United States District Court for the District of South Carolina seeking contribution from UGI Utilities for past and future remediation costs related to the operations of a former MGP located in Charleston, South Carolina. SCE&G asserts that the plant operated from 1855 to 1954 and alleges that UGI Utilities controlled operations of the plant from 1910 to 1926 and is liable for 47% of the costs associated with the site. SCE&G asserts that it has spent approximately \$22 million in remediation costs and \$26 million in third-party claims relating to the site and estimates that future remediation costs could be as high as \$2.5 million. SCE&G further asserts that it has received a demand from the United States Justice Department for natural resource damages. UGI Utilities believes that it has good defenses to the claim.

#### **Other Matters**

Swiger, et al. v. UGI/AmeriGas, Inc. et al. Plaintiffs Samuel and Brenda Swiger and their son (the "Swigers") sustained personal injuries and property damage as a result of a fire that occurred when propane that leaked from an underground line ignited. In July 1998, the Swigers filed a class action lawsuit against AmeriGas Propane, L.P. (named incorrectly as "UGI/AmeriGas, Inc."), in the Circuit Court of Monongalia County, West Virginia (Civil Action No. 98-C-298), in which they sought to recover an unspecified amount of compensatory and punitive damages and attorney's fees, for themselves and on behalf of persons in West Virginia for whom the defendants had installed propane gas lines, allegedly resulting from the defendants' failure to install underground propane lines at depths required by applicable safety standards. In 2003, AmeriGas Propane, L.P. settled the individual personal injury and property damage claims of the Swigers. In 2004, the court granted the plaintiffs' motion to include customers acquired from Columbia Propane in August 2001 as additional potential class members, and the plaintiffs amended their complaint to name additional parties pursuant to such ruling. Subsequently, in March 2005, AmeriGas Propane, L.P. filed a cross-claim against Columbia Energy Group, former owner of Columbia Propane, seeking indemnification for conduct undertaken by Columbia Propane prior to AmeriGas Propane, L.P.'s acquisition. Class counsel has indicated that the class is seeking compensatory damages in excess of \$12 million plus punitive damages, civil penalties and attorneys' fees. The defendants believe they have good defenses to the claims of the class members and intend to vigorously defend against the remaining claims in this lawsuit.

#### **ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

No matter was submitted to a vote of security holders during the last fiscal quarter of fiscal year 2006.

#### **EXECUTIVE OFFICERS**

Information regarding our executive officers is included in Part III of this Report and is incorporated in Part I by reference.

#### **PART II:**

#### **ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

##### **Market Information**

Our Common Stock is traded on the New York and Philadelphia Stock Exchanges under the symbol "UGI." On April 26, 2005, our Board of Directors approved a 2 for 1 split of our Common Stock, effective May 24, 2005. Sales prices and dividends paid for all periods presented in the following tables are reflected on a post-split basis. The following table sets forth the high and low sales prices for the Common Stock on the New York Stock Exchange Composite Transactions tape as reported in The Wall Street Journal for each full quarterly period within the two most recent fiscal years:

<b>2006 Fiscal Year</b>	<b>High</b>	<b>Low</b>
4th Quarter	\$ 25.73	\$ 23.74
3rd Quarter	24.75	20.93
2nd Quarter	22.85	20.60
1st Quarter	28.64	20.21
<b>2005 Fiscal Year</b>	<b>High</b>	<b>Low</b>
4th Quarter	\$ 29.98	\$ 24.25
3rd Quarter	27.95	21.925
2nd Quarter	23.605	19.205
1st Quarter	20.70	18.45

## **Dividends**

Quarterly dividends on our Common Stock were paid in the 2006 and 2005 fiscal years as follows:

<b>2006 Fiscal Year</b>	<b>Amount</b>
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4th Quarter	\$0.17625
3rd Quarter	0.16875
2nd Quarter	0.16875
1st Quarter	0.16875

<b>2005 Fiscal Year</b>	<b>Amount</b>
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4th Quarter	\$0.16875
3rd Quarter	0.15625
2nd Quarter	0.15625
1st Quarter	0.15625

## **Record Holders**

On December 1, 2006, UGI had 8,848 holders of record of Common Stock.

# **ITEM 6.      SELECTED FINANCIAL DATA**

	Year Ended September 30,				
	2006	2005	2004	2003	2002
	(Millions of dollars, except per share amounts)				
<b>FOR THE PERIOD:</b>					
<b>Income statement data:</b>					
Revenues	\$ 5,221.0	\$ 4,888.7	\$ 3,784.7	\$ 3,026.1	\$ 2,213.7
Net income	\$ 176.0	\$ 187.5	\$ 111.6	\$ 98.9	\$ 75.5
Earnings per common share					
Basic net income	\$ 1.67	\$ 1.81	\$ 1.18	\$ 1.17	\$ 0.92
Diluted net income	\$ 1.65	\$ 1.77	\$ 1.16	\$ 1.15	\$ 0.90
Cash dividends declared per common share	\$ 0.690	\$ 0.650	\$ 0.584	\$ 0.565	\$ 0.542
<b>AT PERIOD END:</b>					
<b>Balance sheet data:</b>					
Total assets	\$ 5,080.5	\$ 4,571.5	\$ 4,242.6	\$ 2,795.2	\$ 2,628.0
Capitalization:					
Debt:					
Bank loans - AmeriGas Propane	\$ -	\$ -	\$ -	\$ -	\$ 10.0
Bank loans - UGI Utilities	216.0	81.2	60.9	40.7	37.2
Bank loans - other	9.4	16.2	17.2	15.9	8.6
Long-term debt (including current maturities):					
AmeriGas Propane	933.7	913.5	901.4	927.3	945.8
Antargaz	483.5	431.1	474.5	-	-
UGI Utilities	512.0	237.0	217.2	217.3	248.4
Other	67.7	62.9	76.9	78.9	81.5
Total debt	2,222.3	1,741.9	1,748.1	1,280.1	1,331.5
Minority interests, principally in AmeriGas Partners	139.5	206.3	178.4	134.6	276.0
UGI Utilities preferred shares subject to mandatory redemption	-	-	20.0	20.0	20.0
Common stockholders' equity	1,099.6	997.6	834.1	498.7	313.8
Total capitalization	\$ 3,461.4	\$ 2,945.8	\$ 2,780.6	\$ 1,933.4	\$ 1,941.3
<b>Ratio of capitalization:</b>					
Total debt	64.2%	59.1%	62.9%	66.2%	68.6%
Minority interests, principally in AmeriGas Partners	4.0%	7.0%	6.4%	7.0%	14.2%
UGI Utilities preferred shares subject to mandatory redemption	-	-	0.7%	1.0%	1.0%
Common stockholders' equity	31.8%	33.9%	30.0%	25.8%	16.2%
	100.0%	100.0%	100.0%	100.0%	100.0%

**ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

Management's Discussion and Analysis of Financial Condition and Results of Operations, entitled "Financial Review" and contained on pages 13 through 29 of UGI's 2006 Annual Report to Shareholders, is incorporated in this Report by reference.

**ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

"Quantitative and Qualitative Disclosures About Market Risk" are contained in Management's Discussion and Analysis of Financial Condition and Results of Operations under the caption "Market Risk Disclosures" on pages 26 and 27 of the UGI 2006 Annual Report to Shareholders and are incorporated in this Report by reference.

**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

Management's Annual Report on Internal Control Over Financial Reporting and the Financial Statements and Financial Statement Schedules referred to in the Index contained on pages F-2 and F-3 of this Report are incorporated in this Report by reference.

**ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None.

**ITEM 9A. CONTROLS AND PROCEDURES**

- (a) The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by this Report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures as of the end of the period covered by this Report were designed and functioning effectively to provide reasonable assurance that the information required to be disclosed by the Company in reports filed under the Securities Exchange Act of 1934, as amended, is (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (ii) accumulated and communicated to our management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding disclosure.

- (b) For “Management’s Annual Report on Internal Control Over Financial Reporting” and the related report of PricewaterhouseCoopers LLP, our Independent Registered Public Accounting Firm, see Item 8 of this Report (which information is incorporated herein by reference).
- (c) No change in the Company’s internal control over financial reporting occurred during the Company’s most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting.

**ITEM 9B. OTHER INFORMATION**

None.

**PART III:**

**ITEMS 10 THROUGH 14.**

In accordance with General Instruction G(3), and except as set forth below, the information required by Items 10, 11, 12, 13 and 14 is incorporated in this Report by reference to the following portions of UGI’s Proxy Statement, which will be filed with the Securities and Exchange Commission by January 29, 2007.

	<b>Information</b>	<b>Captions of Proxy Statement Incorporated by Reference</b>
Item 10.	Directors and Executive Officers of Registrant	Election of Directors – Nominees; Corporate Governance; Communications with the Board; Board Committees and Meeting Attendance; Securities Ownership of Management – Section 16(a) – Beneficial Ownership Reporting Compliance
	The Code of Ethics for the Chief Executive Officer and Senior Financial Officers of UGI Corporation is available without charge on the Company's website, <a href="http://www.ugicorp.com">www.ugicorp.com</a> or by writing to Robert W. Krick, Vice President and Treasurer, UGI Corporation, P. O. Box 858, Valley Forge, PA 19482.	
Item 11.	Executive Compensation	Compensation of Directors; Compensation of Executive Officers
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	Securities Ownership of Certain Beneficial Owners; Securities Ownership of Management Approval of Amended and Restated 2004 Omnibus Equity Compensation Plan – Equity Compensation Table
Item 13.	Certain Relationships and Related Transactions	None
Item 14.	Principal Accountant Fees and Services	The Independent Registered Public Accountants

The information concerning the Company's executive officers required by Item 10 is set forth below.

### **EXECUTIVE OFFICERS**

<u><b>Name</b></u>	<u><b>Age</b></u>	<u><b>Position</b></u>
Lon R. Greenberg	56	Chairman and Chief Executive Officer
John L. Walsh	51	President and Chief Operating Officer
Eugene V.N. Bissell	53	President and Chief Executive Officer, AmeriGas Propane, Inc.
Michael J. Cuzzolina	61	Vice President – Accounting and Financial Control and Chief Risk Officer
Bradley C. Hall	53	Vice President - New Business Development
Robert H. Knauss	53	Vice President and General Counsel and Assistant Secretary
Anthony J. Mendicino	58	Senior Vice President - Finance and Chief Financial Officer
David W. Trego	48	President and Chief Executive Officer, UGI Utilities, Inc.
François Varagne	51	Chairman of the Board and Chief Executive Officer of Antargaz

All officers, except Mr. Varagne, are elected for a one-year term at the organizational meetings of the respective Boards of Directors held each year. Mr. Varagne was appointed as Chairman of the Board of Antargaz on January 26, 2005. His term of office is five years.

There are no family relationships between any of the officers or between any of the officers and any of the directors.

#### **Lon R. Greenberg**

Mr. Greenberg was elected Chairman of UGI effective August 1, 1996, having been elected Chief Executive Officer effective August 1, 1995. He held the office of President of UGI from 1994 to 2005. He was elected Director of UGI and UGI Utilities in July 1994. He was elected a Director of AmeriGas Propane, Inc. in 1994 and has been Chairman since 1996. He also served as President and Chief Executive Officer of AmeriGas Propane (1996 to 2000). Mr.



Greenberg was Senior Vice President - Legal and Corporate Development (1989 to 1994). He joined the Company in 1980 as Corporate Development Counsel. Mr. Greenberg is also a director of Aqua America, Inc.

#### John L. Walsh

Mr. Walsh is President and Chief Operating Officer and a Director (since April 2005). He is also Vice Chairman and Director of both AmeriGas Propane, Inc. and UGI Utilities, Inc. (since April 2005). He previously served as Chief Executive of the Industrial and Special Products division and executive director of BOC Group PLC, an industrial gases company (2001-2005). From 1986 to 2001, he held various senior management positions with the BOC Group. Prior to joining BOC Group, Mr. Walsh was a Vice President of UGI's industrial gas division prior to its sale to BOC Group in 1989. From 1981 until 1986, Mr. Walsh held several management positions with affiliates of UGI.

#### Eugene V.N. Bissell

Mr. Bissell is President, Chief Executive Officer and a Director of AmeriGas Propane, Inc. (since July 2000), having served as Senior Vice President - Sales and Marketing (1999 to 2000) and Vice President - Sales and Operations (1995 to 1999). Previously, he was Vice President - Distributors and Fabrication, BOC Gases (1995), having been Vice President - National Sales (1993 to 1995) and Regional Vice President (Southern Region) for Distributor and Cylinder Gases Division, BOC Gases (1989 to 1993). From 1981 to 1987, Mr. Bissell held various positions with the Company and its subsidiaries, including Director, Corporate Development. Mr. Bissell is a member of the Board of Directors of the National Propane Gas Association and a member of the Kalamazoo College Board of Trustees.

#### Michael J. Cuzzolina

Mr. Cuzzolina was elected Vice President - Accounting and Financial Control and Chief Risk Officer of the Company in July 2003. He served as President and Chief Operating Officer of Flaga GmbH from 1999 to 2004. Mr. Cuzzolina joined the Company in 1974 and previously served as Vice President - Accounting and Financial Control (1984 to 1999).

#### Bradley C. Hall

Mr. Hall is Vice President - New Business Development (since October 1994). He also serves as President of UGI Enterprises, Inc. (since 1994). He joined the Company in 1982 and held various positions in UGI Utilities, Inc., including Vice President - Marketing and Rates.

#### Robert H. Knauss

Mr. Knauss was elected Vice President and General Counsel and Assistant Secretary on September 30, 2003. He previously served as Vice President - Law and Associate General Counsel of AmeriGas Propane, Inc. (1996 to 2003), and Group Counsel - Propane of UGI (1989 to 1996). He joined the Company in 1985. Previously, Mr. Knauss was an associate at the firm of Ballard, Spahr, Andrews & Ingersoll in Philadelphia.

Anthony J. Mendicino

Mr. Mendicino is Senior Vice President – Finance and Chief Financial Officer (since December 2002). He previously served as Vice President - Finance and Chief Financial Officer (September 1998 to December 2002). Mr. Mendicino served as President and Chief Operating Officer (July 1997 to June 1998) and as Senior Vice President (January 1997 to June 1997) of Eastwind Group, Inc., a holding company formed to acquire and consolidate middle-market manufacturing businesses. Mr. Mendicino was Senior Vice President and Chief Financial Officer and a director (1987 to 1996) of UTI Energy Corp., a diversified oil field service company. From 1981 to 1987, Mr. Mendicino held various positions with UGI, including Treasurer. Mr. Mendicino serves as a director of Superior Well Services, Inc.

David W. Trego

Mr. Trego is President and Chief Executive Officer of UGI Utilities, Inc. (since October 2004). He previously served as Vice President-Electric Distribution (2002 to 2004). Prior to that assignment, Mr. Trego served in a number of capacities in the Gas Utility Division, including marketing, operations, customer relations and engineering. He joined UGI Utilities in 1987.

François Varagne

Mr. Varagne is Chairman of the Board and Chief Executive Officer of Antargaz (since 2001). Before joining Antargaz, Mr. Varagne was Chairman of the Board and Chief Executive Officer of VIA GTI, a common carrier in France (1998-2001). Prior to that, Mr. Varagne was Chairman of the Board and Chief Executive Officer of Brink's France, a funds carrier (1997 to 1998).

**PART IV:**

**ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES**

**(a) Documents filed as part of this report:**

(1) and (2) The financial statements and financial statement schedules incorporated by reference or included in this report are listed in the accompanying Index to Financial Statements and Financial Statement Schedules set forth on pages F-2 through F-3 of this report, which is incorporated herein by reference.

**(3) List of Exhibits:**

The exhibits filed as part of this report are as follows (exhibits incorporated by reference are set forth with the name of the registrant, the type of report and registration number or last date of the period for which it was filed, and the exhibit number in such filing):

Incorporation by Reference				
Exhibit No.	Exhibit	Registrant	Filing	Exhibit
3.1	(Second) Amended and Restated Articles of Incorporation of the Company as amended through June 6, 2005	UGI	Form 10-Q (6/30/05)	3.1
3.2	Bylaws of UGI as amended through September 28, 2004	UGI	Form 8-K (9/28/04)	3.2
4	Instruments defining the rights of security holders, including indentures. (The Company agrees to furnish to the Commission upon request a copy of any instrument defining the rights of holders of long-term debt not required to be filed pursuant to Item 601(b)(4) of Regulation S-K)			
4.1	[Intentionally Omitted]			
4.2	The description of the Company's Common Stock contained in the Company's registration statement filed under the Securities Exchange Act of 1934, as amended	UGI	Form 8-B/A (4/17/96)	3.(4)
4.3	UGI's (Second) Amended and Restated Articles of Incorporation and Bylaws referred to in 3.1 and 3.2 above			
4.4	Third Amended and Restated Agreement of Limited Partnership of AmeriGas Partners, L.P. dated as of December 1, 2004	AmeriGas Partners, L.P.	Form 8-K (12/1/04)	3.1
4.5	Indenture, dated May 3, 2005, by and among AmeriGas Partners, L.P., a Delaware limited partnership, AmeriGas Finance Corp., a Delaware corporation, and Wachovia Bank, National Association, as trustee	AmeriGas Partners, L.P.	Form 8-K (5/3/05)	4.1
4.6	Indenture, dated January 26, 2006, by and among AmeriGas Partners, L.P., a Delaware limited partnership, AP Eagle Finance Corp., a Delaware corporation, and U.S. Bank National Association, as trustee	AmeriGas Partners, L.P.	Form 8-K (1/26/06)	4.1

<b>Incorporation by Reference</b>				
<b>Exhibit No.</b>	<b>Exhibit</b>	<b>Registrant</b>	<b>Filing</b>	<b>Exhibit</b>
4.7	Indenture, dated as of August 1, 1993, by and between UGI Utilities, Inc., as Issuer, and U.S. Bank National Association, as successor trustee, incorporated by reference to the Registration Statement on Form S-3 filed on April 8, 1994	Utilities	Registration Statement No. 33-77514 (4/8/94)	4(c)
4.8	Supplemental Indenture, dated as of September 15, 2006, by and between UGI Utilities, Inc., as Issuer, and U.S. Bank National Association, successor trustee to Wachovia Bank, National Association	Utilities	Form 8-K (9/12/06)	4.2
4.9	Form of Fixed Rate Medium-Term Note	Utilities	Form 8-K (8/26/94)	4(i)
4.10	Form of Fixed Rate Series B Medium-Term Note	Utilities	Form 8-K (8/1/96)	4(i)
4.11	Form of Floating Rate Series B Medium-Term Note	Utilities	Form 8-K (8/1/96)	4(ii)
4.12	Officer's Certificate establishing Medium-Term Notes Series	Utilities	Form 8-K (8/26/94)	4(iv)
4.13	Form of Officer's Certificate establishing Series B Medium-Term Notes under the Indenture	Utilities	Form 8-K (8/1/96)	4(iv)
4.14	Form of Officers' Certificate establishing Series C Medium-Term Notes under the Indenture	Utilities	Form 8-K (5/21/02)	4.2
10.1	Service Agreement (Rate FSS) dated as of November 1, 1989 between Utilities and Columbia, as modified pursuant to the orders of the Federal Energy Regulatory Commission at Docket No. RS92-5-000 reported at Columbia Gas Transmission Corp., 64 FERC ¶61,060 (1993), order on rehearing, 64 FERC ¶61,365 (1993)	UGI	Form 10-K (9/30/95)	10.5
10.2**	UGI Corporation 2004 Omnibus Equity Compensation Plan Directors Stock Unit Grant Letter dated as of January 2006	UGI	Form 8-K (12/6/05)	10.2
10.3**	UGI Corporation 2004 Omnibus Equity Compensation Plan Directors Nonqualified Stock Option Grant Letter dated as of January 1, 2006	UGI	Form 8-K (12/6/05)	10.3

Incorporation by Reference				
Exhibit No.	Exhibit	Registrant	Filing	Exhibit
*10.4**	UGI Corporation 2004 Omnibus Equity Compensation Plan Utilities Employees Performance Unit Grant Letter dated as of January 1, 2006			
10.5**	UGI Corporation 2004 Omnibus Equity Compensation Plan UGI Employees Stock Unit Grant Letter	UGI	Form 8-K (12/6/05)	10.9
10.6**	UGI Corporation Directors Deferred Compensation Plan Amended and Restated as of January 1, 2000	UGI	Form 10-K (9/30/00)	10.6
*10.7**	UGI Corporation 2004 Omnibus Equity Compensation Plan UGI Employees Performance Unit Grant Letter dated as of January 1, 2006			
10.8**	UGI Corporation Annual Bonus Plan dated March 8, 1996	UGI	Form 10-Q (6/30/96)	10.4
10.9**	UGI Corporation 2004 Omnibus Equity Compensation Plan AmeriGas Employees Nonqualified Stock Option Grant Letter dated as of January 1, 2006	UGI	Form 8-K (12/6/05)	10.6
*10.10**	UGI Corporation 1997 Stock Option and Dividend Equivalent Plan Amended and Restated as of May 24, 2005			
10.11**	AmeriGas Propane, Inc. Executive Employee Severance Pay Plan, as amended December 6, 2004	AmeriGas Partners, L.P.	Form 10-K (9/30/04)	10.4
10.11(a)**	Description of AmeriGas Propane, Inc. Executive Employee Severance Pay Plan, amended July 24, 2006	AmeriGas Partners, L.P.	Form 10-Q (6/30/06)	10.1
10.12**	UGI Corporation Senior Executive Employee Severance Pay Plan as amended December 7, 2004	UGI	Form 10-K (9/30/04)	10.12
10.12(a)**	Description of UGI Corporation Senior Executive Employee Severance Pay Plan, as amended July 25, 2006	UGI	Form 10-Q (6/30/06)	10.1
*10.13**	UGI Corporation 2000 Directors' Stock Option Plan Amended and Restated as of May 24, 2005			

Incorporation by Reference				
Exhibit No.	Exhibit	Registrant	Filing	Exhibit
*10.14**	UGI Corporation 2000 Stock Incentive Plan Amended and Restated as of May 24, 2005			
10.15**	Letter Agreement dated May 15, 2002 regarding severance arrangement for Mr. Varagne	UGI	Form 10-K (9/30/05)	10.15
10.16**	UGI Corporation Supplemental Executive Retirement Plan Amended and Restated effective October 1, 1996	UGI	Form 10-Q (6/30/98)	10
10.16(a)**	Description of July 25, 2006 Amendment to the UGI Corporation Supplemental Executive Retirement Plan	UGI	Form 10-Q (6/30/06)	10.2
*10.17**	UGI Corporation 2004 Omnibus Equity Compensation Plan, as amended May 24, 2005			
10.17(a)**	UGI Corporation 2004 Omnibus Equity Compensation Plan, as amended December 7, 2004 – Terms and Conditions as amended December 6, 2005	UGI	Form 8-K (12/6/05)	10.10
10.18	Credit Agreement dated as of November 6, 2006 among AmeriGas Propane, L.P., as Borrower, AmeriGas Propane, Inc., as Guarantor, Petrolane Incorporated, as Guarantor, Citigroup Global Markets Inc., as Syndication Agent, J.P. Morgan Securities Inc. and Credit Suisse Securities (USA) LLC, as Co- Documentation Agents, Wachovia Bank, National Association, as Agent, Issuing Bank and Swing Line Bank, and the other financial institutions party thereto	AmeriGas Partners, L.P.	Form 8-K (11/6/06)	10.1
10.19	Credit Agreement, dated as of August 11, 2006, among UGI Utilities, Inc., as borrower, and Citibank, N.A., as agent, Wachovia Bank, National Association, as syndication agent, and Citizens Bank of Pennsylvania, Credit Suisse, Cayman Islands Branch, Deutsche Bank AG New York Branch, JPMorgan Chase Bank, N.A., Mellon Bank, N.A., PNC Bank, National Association, and the other financial institutions from time to time parties thereto	Utilities	Form 8-K (8/11/06)	10.1

<b>Incorporation by Reference</b>				
<b>Exhibit No.</b>	<b>Exhibit</b>	<b>Registrant</b>	<b>Filing</b>	<b>Exhibit</b>
10.20**	Form of Confidentiality and Post-Employment Activities Agreement with AmeriGas Propane, Inc., in its own right and as general partner of AmeriGas Partners, L.P., for Messrs. Bissell, Katz and Knauss	AmeriGas Partners, L.P.	Form 10-Q (3/31/05)	10.3
10.21**	Confidentiality and Post-Employment Activities Agreement with AmeriGas Propane, Inc., in its own right and as general partner of AmeriGas Partners, L.P., for Mr. Sheridan	AmeriGas Partners, L.P.	Form 8-K (8/15/05)	10.1
*10.22**	Summary of Director Compensation as of October 1, 2006			
10.23	[Intentionally Omitted]			
10.24	Restricted Subsidiary Guarantee by the Restricted Subsidiaries of AmeriGas Propane, L.P., as Guarantors, for the benefit of Wachovia Bank, National Association and the Banks dated as of November 6, 2006	AmeriGas Partners, L.P.	Form 10-K (9/30/06)	10.2
10.25	Release of Liens and Termination of Security Documents dated as of November 6, 2006 by and among AmeriGas Propane, Inc., Petrolane Incorporated, AmeriGas Propane, L.P., AmeriGas Propane Parts & Service, Inc. and Wachovia Bank, National Association, as Collateral Agent for the Secured Creditors, pursuant to the Intercreditor and Agency Agreement dated as of April 19, 1995	AmeriGas Partners, L.P.	Form 10-K (9/30/06)	10.3
10.26	[Intentionally Omitted]			
10.27	Trademark License Agreement dated April 19, 1995 among UGI Corporation, AmeriGas, Inc., AmeriGas Propane, Inc., AmeriGas Partners, L.P. and AmeriGas Propane, L.P.	AmeriGas Partners, L.P.	Form 10-Q (3/31/95)	10.6
10.28	Trademark License Agreement, dated April 19, 1995 among AmeriGas Propane, Inc., AmeriGas Partners, L.P. and AmeriGas Propane, L.P.	AmeriGas Partners, L.P.	Form 10-Q (3/31/95)	10.7

Incorporation by Reference				
Exhibit No.	Exhibit	Registrant	Filing	Exhibit
10.29	Stock Purchase Agreement dated May 27, 1989, as amended and restated July 31, 1989, between Texas Eastern Corporation and QFB Partners	Petrolane Incorporated/ AmeriGas Partners, L.P.	Registration Statement No. 33-69450	10.16(a)
10.30**	Description of oral employment at-will arrangements for Messrs. Greenberg, Mendicino, Varagne and Walsh	UGI	Form 10-K (9/30/05)	10.30
10.31**	Description of oral employment at-will arrangement for Mr. Bissell	AmeriGas Partners, L.P.	Form 10-K (9/30/05)	10.30
10.32**	AmeriGas Propane, Inc. Supplemental Executive Retirement Plan, Amended and Restated as of March 1, 2005	AmeriGas Partners, L.P.	Form 10-Q (3/31/05)	10.1
10.32(a)**	Description of AmeriGas Propane, Inc. Supplemental Executive Retirement Plan, amended July 24, 2006	AmeriGas Partners, L.P.	Form 10-Q (6/30/06)	10.2
10.33**	AmeriGas Propane, Inc. Annual Bonus Plan effective October 1, 1998	AmeriGas Partners, L.P.	Form 10-K (9/30/99)	10.17
10.34**	UGI Utilities, Inc. Annual Bonus Plan dated March 8, 1996	Utilities	Form 10-Q (6/30/96)	10.4
10.35**	Form of Change in Control Agreement for Messrs. Greenberg, Mendicino and Walsh	UGI	Form 8-K (12/6/05)	10.1
10.36**	UGI Corporation 2004 Omnibus Equity Compensation Plan UGI Employees Nonqualified Stock Option Grant Letter dated as of January 1, 2006	UGI	Form 8-K (12/6/05)	10.4
10.36(a)**	UGI Corporation 2004 Omnibus Equity Compensation Plan UGI Utilities Employees Nonqualified Stock Option Grant Letter dated as of January 1, 2006	UGI	Form 8-K (12/6/05)	10.5
10.37**	Form of Change in Control Agreement for Mr. Bissell	AmeriGas Partners, L.P.	Form 8-K (12/5/05)	10.1
*10.38**	2002 Non-Qualified Stock Option Plan Amended and Restated as of May 24, 2005			
*10.39**	1992 Non-Qualified Stock Option Plan Amended and Restated as of May 24, 2005			



Incorporation by Reference				
Exhibit No.	Exhibit	Registrant	Filing	Exhibit
10.40 **	AmeriGas Propane, Inc. Discretionary Long-Term Incentive Plan for Non-Executive Key Employees	AmeriGas Partners, L.P.	Form 10-K (9/30/02)	10.2
10.41	Service Agreement for comprehensive delivery service (Rate CDS) dated February 23, 1999 between UGI Utilities, Inc. and Texas Eastern Transmission Corporation	UGI	Form 10-K (9/30/00)	10.41
10.42	Purchase Agreement dated January 30, 2001 and Amended and Restated on August 7, 2001 by and among Columbia Energy Group, Columbia Propane Corporation, Columbia Propane, L.P., CP Holdings, Inc., AmeriGas Propane, L.P., AmeriGas Partners, L.P., and AmeriGas Propane, Inc.	AmeriGas Partners, L.P.	Form 8-K (8/8/01)	10.1
10.43**	UGI Corporation 2004 Omnibus Equity Compensation Plan, Sub-Plan for French Employees Stock Option Grant Letter dated as of 2004	UGI	Form 10-K (9/30/04)	10.43
10.44	Purchase Agreement by and among Columbia Propane, L.P., CP Holdings, Inc., Columbia Propane Corporation, National Propane Partners, L.P., National Propane Corporation, National Propane SPG, Inc., and Triarc Companies, Inc. dated as of April 5, 1999	National Propane Partners, L.P.	Form 8-K (4/19/99)	10.5
10.45	Capital Contribution Agreement dated as of August 21, 2001 by and between Columbia Propane, L.P. and AmeriGas Propane, L.P. acknowledged and agreed to by CP Holdings, Inc.	AmeriGas Partners, L.P.	Form 8-K (8/21/01)	10.2
10.46	Promissory Note by National Propane L.P., a Delaware limited partnership in favor of Columbia Propane Corporation dated July 19, 1999	AmeriGas Partners, L.P.	Form 10-K (9/30/01)	10.39
10.47	Loan Agreement dated July 19, 1999, between National Propane, L.P. and Columbia Propane Corporation	AmeriGas Partners, L.P.	Form 10-K (9/30/01)	10.40
10.48	First Amendment dated August 21, 2001 to Loan Agreement dated July 19, 1999 between National Propane, L.P. and Columbia Propane Corporation	AmeriGas Partners, L.P.	Form 10-K (9/30/01)	10.41

<b>Incorporation by Reference</b>				
<b>Exhibit No.</b>	<b>Exhibit</b>	<b>Registrant</b>	<b>Filing</b>	<b>Exhibit</b>
10.49	Columbia Energy Group Payment Guaranty dated April 5, 1999	AmeriGas Partners, L.P.	Form 10-K (9/30/01)	10.42
10.50	Keep Well Agreement by and between AmeriGas Propane, L.P. and Columbia Propane Corporation dated August 21, 2001	AmeriGas Partners, L.P.	Form 10-K (9/30/01)	10.46
10.51**	AmeriGas Propane, Inc. 2000 Long-Term Incentive Plan on Behalf of AmeriGas Partners, L.P., as amended December 15, 2003 ("AmeriGas 2000 Plan").	AmeriGas Partners, L.P.	Form 10-Q (6/30/04)	10.2
10.51(a)**	AmeriGas 2000 Plan Restricted Unit Grant Letter dated as of January 1, 2006	AmeriGas Partners, L.P.	Form 10-K (9/30/06)	10.20
10.52	Storage Transportation Service Agreement (Rate Schedule SST) between Utilities and Columbia dated November 1, 1993, as modified pursuant to orders of the Federal Energy Regulatory Commission	Utilities	Form 10-K (9/30/02)	10.25
10.53	Gas Service Delivery and Supply Agreement between Utilities and UGI Energy Services, Inc. dated August 1, 2004	Utilities	Form 10-K (9/30/04)	10.32
10.54	No-Notice Transportation Service Agreement (Rate Schedule CDS) between Utilities and Texas Eastern Transmission dated February 23, 1999, as modified pursuant to various orders of the Federal Energy Regulatory Commission	Utilities	Form 10-K (9/30/02)	10.27
10.55	No-Notice Transportation Service Agreement (Rate Schedule CDS) between Utilities and Texas Eastern Transmission dated October 31, 2000, as modified pursuant to various orders of the Federal Energy Regulatory Commission	Utilities	Form 10-K (9/30/02)	10.28
10.56	Firm Transportation Service Agreement (Rate Schedule FT-1) between Utilities and Texas Eastern Transmission dated June 15, 1999, as modified pursuant to various orders of the Federal Energy Regulatory Commission	Utilities	Form 10-K (9/30/02)	10.29

Incorporation by Reference				
Exhibit No.	Exhibit	Registrant	Filing	Exhibit
10.57	Amendment No. 1 dated November 1, 2004, to the Service Agreement (Rate FSS) dated as of November 1, 1989 between Utilities and Columbia, as modified pursuant to the orders of the Federal Energy Regulatory Commission at Docket No. RS92-5-000 reported at Columbia Gas Transmission Corp., 64 FERC ¶61,060 (1993), order on rehearing, 64 FERC ¶61,365 (1993)	Utilities	Form 10-K (9/30/04)	10.26
10.58	Firm Transportation Service Agreement (Rate Schedule FT) between Utilities and Transcontinental Gas Pipe Line dated October 1, 1996, as modified pursuant to various orders of the Federal Energy Regulatory Commission	Utilities	Form 10-K (9/30/02)	10.31
10.59	Amendment No. 1 dated November 1, 2004, to the No-Notice Transportation Service Agreement (Rate Schedule CDS) between Utilities and Texas Eastern Transmission dated February 23, 1999, as modified pursuant to various orders of the Federal Energy Regulatory Commission	Utilities	Form 10-K (9/30/04)	10.30
10.60	Amendment No. 1 dated November 1, 2004, to the Firm Transportation Service Agreement (Rate Schedule FT-1) between Utilities and Texas Eastern Transmission dated June 15, 1999, as modified pursuant to various orders of the Federal Energy Regulatory Commission	Utilities	Form 10-K (9/30/04)	10.33
10.61	Firm Transportation Service Agreement (Rate Schedule FTS) between Utilities and Columbia Gas Transmission dated November 1, 2004	Utilities	Form 10-K (9/30/04)	10.34
10.62	Purchase and Sale Agreement by and between Southern Union Company, as Seller, and UGI Corporation, as Buyer, dated as of January 26, 2006 (See Exhibit No. 10.64)	UGI	Form 8-K (1/26/06)	10.1
10.63	Employee Agreement by and between Southern Union Company and UGI Corporation dated as of January 26, 2006 (See Exhibit No. 10.64)	UGI	Form 8-K (1/26/06)	10.2

Incorporation by Reference				
Exhibit No.	Exhibit	Registrant	Filing	Exhibit
10.64	First Amendment Agreement, dated August 24, 2006, by and between Southern Union Company, as Seller, and UGI Corporation, as Buyer	Utilities	Form 8-K (8/24/06)	10.2
10.65	Tax Consolidation Agreement, dated June 18, 2004, entered into by UGI Bordeaux Holding and its Subsidiaries named therein	UGI	Form 10-Q (6/30/04)	10.8
10.65(a)	Amendment No. 1 dated as of June 24, 2004, to Tax Consolidation Agreement, dated June 18, 2004, as amended, entered into by UGI Bordeaux Holding and its Subsidiaries named therein	UGI	Form 10-Q (12/31/05)	10.5
10.65(b)	Amendment No. 2 dated as of December 7, 2005 to Tax Consolidation Agreement, dated June 18, 2004, as amended, entered into by UGI Bordeaux Holding and its Subsidiaries named therein	UGI	Form 10-Q (12/31/05)	10.6
*10.66**	UGI Corporation 2004 Omnibus Equity Compensation Plan Sub-Plan for French Employees effective December 6, 2005			
*10.66(a)**	UGI Corporation 2004 Omnibus Equity Compensation Plan Sub-Plan for French Employees Performance Unit Grant Letter dated as of January 1, 2006			
10.67	Senior Facilities Agreement dated December 7, 2005 by and among AGZ Holding, as Borrower and Guarantor, Antargaz, as Borrower and Guarantor, Calyon, as Mandated Lead Arranger, Facility Agent and Security Agent and the Financial Institutions named therein	UGI	Form 10-Q (12/31/05)	10.1
10.68	Pledge of Financial Instruments Account relating to Financial Instruments held by AGZ Holding in Antargaz, dated December 7, 2005, by and among AGZ Holding, as Pledgor, Calyon, as Security Agent, and the Lenders	UGI	Form 10-Q (12/31/05)	10.2

Incorporation by Reference				
Exhibit No.	Exhibit	Registrant	Filing	Exhibit
10.69	Pledge of Financial Instruments Account relating to Financial Instruments held by Antargaz in certain subsidiary companies, dated December 7, 2005, by and among Antargaz, as Pledgor, Calyon, as Security Agent, and the Revolving Lenders	UGI	Form 10-Q (12/31/05)	10.3
10.70	Letter of Undertakings dated December 7, 2005, by UGI Bordeaux Holding to AGZ Holding, the Parent of Antargaz, and Calyon, the Facility Agent, acting on behalf of the Lenders, (as defined within the Senior Facilities Agreement)	UGI	Form 10-Q (12/31/05)	10.4
10.71	Seller's Guarantee dated February 16, 2001 among Elf Antar France, Elf Aquitaine and AGZ Holding	UGI	Form 10-Q (3/31/04)	10.5
10.72	Security Agreement for the Assignment of Receivables dated as of December 7, 2005 by and among AGZ Holding, as Assignor, Calyon, as Security Agent, and the Lenders named therein	UGI	Form 10-Q (12/31/05)	10.7
10.73	Security Agreement for the Assignment of Receivables dated as of December 7, 2005 by and among Antargaz, as Assignor, Calyon, as Security Agent, and the Lenders named therein	UGI	Form 10-Q (12/31/05)	10.8
10.74	Guarantee Agreement, dated July 26, 2006, between UGI Corporation, as Guarantor, and Raiffeisen Zentralbank Osterreich Aktiengesellschaft ("RZB"), as Beneficiary, relating to the Multi Currency Working Capital Facility dated July 26, 2006 between Zentraleuropa LPG Holding GmbH ("ZLH") and RZB	UGI	Form 10-Q (6/30/06)	10.5
10.75	Guarantee Agreement, dated July 26, 2006, between UGI Corporation, as Guarantor, and RZB, as Beneficiary, relating to the Working Capital Facility dated July 26, 2006 between Flaga GmbH and RZB	UGI	Form 10-Q (6/30/06)	10.6
10.76	Guarantee Agreement, dated July 26, 2006, between UGI Corporation, as Guarantor, and RZB, as Beneficiary, relating to the Term Loan Agreement dated July 26, 2006 between Flaga GmbH and RZB	UGI	Form 10-Q (6/30/06)	10.7

<b>Incorporation by Reference</b>				
<b>Exhibit No.</b>	<b>Exhibit</b>	<b>Registrant</b>	<b>Filing</b>	<b>Exhibit</b>
10.77	Term Loan Agreement, dated July 26, 2006, between Flaga GmbH, as Borrower, and RZB, as Lender	UGI	Form 10-Q (6/30/06)	10.8
10.78	Working Capital Facility Agreement, dated July 26, 2006, between Flaga GmbH, as Borrower, and RZB, as Lender	UGI	Form 10-Q (6/30/06)	10.9
10.79	Multi Currency Working Capital Facility Agreement, dated July 26, 2006, between ZLH, as Borrower, and RZB, as Lender	UGI	Form 10-Q (6/30/06)	10.10
10.80	Assignment and Assumption Agreement, dated August 24, 2006, by and between UGI Corporation, as Assignor, and UGI Penn Natural Gas, Inc., as Assignee	Utilities	Form 8-K (8/24/06)	10.1
10.81	Transition Services Agreement, dated August 24, 2006, by and between UGI Corporation and Southern Union Company	UGI	Form 8-K (8/24/06)	10.1
10.82	Assignment and Assumption Agreement, dated August 24, 2006, by and between UGI Corporation, as Assignor, and UGI Utilities, Inc., as Assignee with respect to the Southern Union Company Pension	Utilities	Form 8-K (8/24/06)	10.3
10.83	Service Agreement (Rate FSS) dated August 16, 2004 between Columbia Gas Transmission Corporation and PG Energy	Utilities	Form 8-K (8/24/06)	10.4
10.84	Service Agreement (Rate SST) dated August 16, 2004 between Columbia Gas Transmission Corporation and PG Energy	Utilities	Form 8-K (8/24/06)	10.5
10.85	Firm Transportation Service Agreement (Rate FT) dated February 1, 1992 between Transcontinental Gas Pipe Line Corporation and PG Energy (as successor to Pennsylvania Gas and Water Company).	Utilities	Form 8-K (8/24/06)	10.6
10.86	Firm Transportation Service Agreement (Rate FT) dated July 10, 1997 between Transcontinental Gas Pipe Line Corporation and PG Energy	Utilities	Form 8-K (8/24/06)	10.7
10.87	Firm Storage and Delivery Service Agreement (Rate GSS) dated July 1, 1996 between Transcontinental Gas Pipe Line Corporation and PG Energy	Utilities	Form 8-K (8/24/06)	10.8

Incorporation by Reference				
Exhibit No.	Exhibit	Registrant	Filing	Exhibit
*13	Pages 13 through 59 of the 2006 Annual Report to Shareholders			
14	Code of Ethics for principal executive, financial and accounting officers	UGI	Form 10-K (9/30/03)	14
*21	Subsidiaries of the Registrant			
*23	Consent of PricewaterhouseCoopers LLP			
*31.1	Certification by the Chief Executive Officer relating to the Registrant's Report on Form 10-K for the fiscal year ended September 30, 2006 pursuant to Section 302 of the Sarbanes-Oxley Act of 2002			
*31.2	Certification by the Chief Financial Officer relating to the Registrant's Report on Form 10-K for the fiscal year ended September 30, 2006 pursuant to Section 302 of the Sarbanes-Oxley Act of 2002			
*32	Certification by the Chief Executive Officer and the Chief Financial Officer relating to the Registrant's Report on Form 10-K for the fiscal year ended September 30, 2006, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.			

\* Filed herewith.

\*\* As required by Item 14(a)(3), this exhibit is identified as a compensatory plan or arrangement.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

### UGI CORPORATION

Date: December 5, 2006

By: /s/ Anthony J. Mendicino  
Anthony J. Mendicino  
Senior Vice President - Finance

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below on December 5, 2006, by the following persons on behalf of the Registrant in the capacities indicated.

#### Signature

#### Title

/s/ Lon R. Greenberg  
Lon R. Greenberg

Chairman  
and Chief Executive Officer  
(Principal Executive Officer)  
and Director

/s/ John L. Walsh  
John L. Walsh

President and Chief  
Operating Officer  
(Principal Operating Officer)  
and Director

/s/ Anthony J. Mendicino  
Anthony J. Mendicino

Senior Vice President - Finance  
and Chief Financial Officer  
(Principal Financial Officer)

/s/ Michael J. Cuzzolina  
Michael J. Cuzzolina

Vice President – Accounting and  
Financial Control and Chief Risk  
Officer  
(Principal Accounting Officer)

/s/ Stephen D. Ban  
Stephen D. Ban

Director

/s/ Richard C. Gozon  
Richard C. Gozon

Director



Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below on December 5, 2006, by the following persons on behalf of the Registrant in the capacities indicated.

**Signature**

**Title**

/s/ Ernest E. Jones  
Ernest E. Jones

Director

/s/ Anne Pol  
Anne Pol

Director

/s/ Marvin O. Schlanger  
Marvin O. Schlanger

Director

/s/ James W. Stratton  
James W. Stratton

Director

/s/ Roger B. Vincent  
Roger B. Vincent

Director

**UGI CORPORATION AND SUBSIDIARIES**

**FINANCIAL INFORMATION**

**FOR INCLUSION IN ANNUAL REPORT ON FORM 10-K**

**YEAR ENDED SEPTEMBER 30, 2006**

## UGI CORPORATION AND SUBSIDIARIES

### INDEX TO FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULES

The consolidated financial statements and supplementary data of UGI Corporation and subsidiaries, together with the report thereon of PricewaterhouseCoopers LLP dated December 8, 2006, and Management's Report on Internal Control over Financial Reporting listed in the following index, are included in UGI's 2006 Annual Report to Shareholders and are incorporated in this Form 10-K Annual Report by reference. With the exception of the pages listed in this index and information incorporated in Items 7, 7A, 8 and 9A(b), the 2006 Annual Report to Shareholders is not to be deemed filed as part of this Report.

	Reference	
	Form 10-K <u>(page)</u>	Annual Report to Shareholders <u>(page)</u>
Management's Report on Internal Control over Financial Reporting	Exhibit 13	30
Report of Independent Registered Public Accounting Firm:		
On Consolidated Financial Statements and Internal Control over Financial Reporting	Exhibit 13	31
On Financial Statement Schedules	F-4	
Financial Statements:		
Consolidated Balance Sheets, September 30, 2006 and 2005	Exhibit 13	32 to 33
For the years ended September 30, 2006, 2005 and 2004:		
Consolidated Statements of Income	Exhibit 13	34
Consolidated Statements of Cash Flows	Exhibit 13	35
Consolidated Statements of Stockholders' Equity	Exhibit 13	36

# UGI CORPORATION AND SUBSIDIARIES

## INDEX TO FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULES (continued)

	Reference	
	Form 10-K (page)	Annual Report to Shareholders (page)
Notes to Consolidated Financial Statements	Exhibit 13	37 to 59
Supplementary Data (unaudited):		
Quarterly Data for the years ended September 30, 2006 and 2005	Exhibit 13	58
Financial Statement Schedules:		
For the years ended September 30, 2006, 2005 and 2004:		
I - Condensed Financial Information of Registrant (Parent Company)	S-1 to S-3	
II - Valuation and Qualifying Accounts	S-4 to S-5	

### Annual Report on Form 10-K/A

An annual Report on Form 10-K/A for the UGI Utilities, Inc., AmeriGas Propane, Inc. and UGI HVAC Enterprises, Inc. savings plans will be filed by amendment within the time period specified by Rule 15d-21(b).

We have omitted all other financial statement schedules because the required information is either (1) not present; (2) not present in amounts sufficient to require submission of the schedule; or (3) the information required is included elsewhere in the financial statements or related notes.

**Report of Independent Registered Public Accounting Firm on  
Financial Statement Schedules**

To the Board of Directors and Stockholders  
of UGI Corporation:

Our audits of the consolidated financial statements, of management's assessment of the effectiveness of internal control over financial reporting and of the effectiveness of internal control over financial reporting referred to in our report dated December 8, 2006 appearing in the 2006 Annual Report to Shareholders of UGI Corporation (which report, consolidated financial statements and assessment are incorporated by reference in this Annual Report on Form 10-K) also included an audit of the financial statement schedules listed in Item 15(a)(2) of this Form 10-K. In our opinion, these financial statement schedules present fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

Philadelphia, Pennsylvania  
December 8, 2006

**UGI CORPORATION AND SUBSIDIARIES**  
**SCHEDULE I - CONDENSED FINANCIAL INFORMATION OF REGISTRANT (PARENT COMPANY)**

**BALANCE SHEETS**  
(Millions of dollars)

	September 30,	
<b><u>ASSETS</u></b>	<b><u>2006</u></b>	<b><u>2005</u></b>
Current assets:		
Cash and cash equivalents	\$ -	\$ 0.3
Accounts and notes receivable	5.8	14.0
Deferred income taxes	0.2	0.2
Prepaid expenses and other current assets	1.7	0.5
Total current assets	<u>7.7</u>	<u>15.0</u>
Investments in subsidiaries	1,117.8	1,111.8
Other assets	8.8	8.4
Total assets	<u><u>\$ 1,134.3</u></u>	<u><u>\$ 1,135.2</u></u>
 <b><u>LIABILITIES AND COMMON STOCKHOLDERS' EQUITY</u></b>		
Current liabilities:		
Accounts and notes payable	\$ 11.3	\$ 10.3
Accrued liabilities	4.9	7.7
Total current liabilities	<u>16.2</u>	<u>18.0</u>
Noncurrent liabilities	18.5	119.6
Commitments and contingencies		
Common stockholders' equity:		
Common Stock, without par value (authorized - 300,000,000 shares; issued - 115,152,994 shares)	807.5	793.6
Retained earnings	370.0	266.3
Accumulated other comprehensive income	(3.8)	16.5
	<u>1,173.7</u>	<u>1,076.4</u>
Less treasury stock, at cost	<u>(74.1)</u>	<u>(78.8)</u>
Total common stockholders' equity	<u>1,099.6</u>	<u>997.6</u>
Total liabilities and common stockholders' equity	<u><u>\$ 1,134.3</u></u>	<u><u>\$ 1,135.2</u></u>

**Commitments and Contingencies:**

In addition to the guarantees of Flaga's debt and up to €7.0 associated with ZLH's working capital facilities described in Note 3 to Consolidated Financial Statements, at September 30, 2006, UGI Corporation had agreed to indemnify the issuers of \$27.1 of surety bonds issued on behalf of certain UGI subsidiaries. UGI Corporation is authorized to guarantee up to \$385.0 in obligations to suppliers and customers of UGI Energy Services, Inc. (UESI) and subsidiaries of which \$325.0 of such obligations were outstanding as of September 30, 2006.

**UGI CORPORATION AND SUBSIDIARIES**  
**SCHEDULE I - CONDENSED FINANCIAL INFORMATION OF REGISTRANT (PARENT COMPANY)**

**STATEMENTS OF INCOME**  
(Millions of dollars, except per share amounts)

	Year Ended September 30,		
	2006	2005	2004
Revenues	\$ -	\$ -	\$ -
Costs and expenses:			
Operating and administrative expenses	25.4	30.0	24.5
Other income, net	(25.7)	(29.5)	(24.0)
	<u>(0.3)</u>	<u>0.5</u>	<u>0.5</u>
Operating income (loss)	0.3	(0.5)	(0.5)
Interest expense on intercompany debt	<u>(5.6)</u>	<u>(3.7)</u>	<u>(2.2)</u>
Loss before income taxes	(5.3)	(4.2)	(2.7)
Income tax (benefit) expense	<u>(1.1)</u>	<u>1.0</u>	<u>(1.3)</u>
Loss before equity in income of unconsolidated subsidiaries	(4.2)	(5.2)	(1.4)
Equity in income of unconsolidated subsidiaries	<u>180.4</u>	<u>192.7</u>	<u>113.0</u>
Net income	<u>\$ 176.2</u>	<u>\$ 187.5</u>	<u>\$ 111.6</u>
Earnings per common share:			
Basic	<u>\$ 1.67</u>	<u>\$ 1.81</u>	<u>\$ 1.18</u>
Diluted	<u>\$ 1.65</u>	<u>\$ 1.77</u>	<u>\$ 1.15</u>
Average common shares outstanding (millions):			
Basic	<u>105.455</u>	<u>103.877</u>	<u>94.616</u>
Diluted	<u>106.727</u>	<u>105.723</u>	<u>96.682</u>

**UGI CORPORATION AND SUBSIDIARIES**  
**SCHEDULE I - CONDENSED FINANCIAL INFORMATION OF REGISTRANT (PARENT COMPANY)**

**STATEMENTS OF CASH FLOWS**  
(Millions of dollars)

	Year Ended September 30,		
	<u>2006</u>	<u>2005</u>	<u>2004</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES (a)</b>	<b>\$ 357.6</b>	<b>\$ 93.3</b>	<b>\$ 103.1</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Investments in unconsolidated subsidiaries	(295.4)	(53.4)	(300.2)
Net cash used by investing activities	<u>(295.4)</u>	<u>(53.4)</u>	<u>(300.2)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Payment of dividends on Common Stock	(72.5)	(67.4)	(56.3)
Issuance of intercompany long-term debt	-	-	-
Issuance of Common Stock	10.0	27.1	254.1
Repurchases of Common Stock	-	-	(0.6)
Net cash (used) provided by financing activities	<u>(62.5)</u>	<u>(40.3)</u>	<u>197.2</u>
Cash and cash equivalents (decrease) increase	<u>\$ (0.3)</u>	<u>\$ (0.4)</u>	<u>\$ 0.1</u>
 Cash and cash equivalents:			
End of period	\$ -	\$ 0.3	\$ 0.7
Beginning of period	0.3	0.7	0.6
(Decrease) increase	<u>\$ (0.3)</u>	<u>\$ (0.4)</u>	<u>\$ 0.1</u>

(a) Includes dividends received from unconsolidated subsidiaries of \$351.6, \$98.5, and \$99.0, respectively, for the years ended September 30, 2006, 2005 and 2004.



**UGI CORPORATION AND SUBSIDIARIES**  
**SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS**  
(Millions of dollars)

	<u>Balance at beginning of year</u>	<u>Charged (credited) to costs and expenses</u>	<u>Other</u>	<u>Balance at end of year</u>
<b><u>Year Ended September 30, 2006</u></b>				
Reserves deducted from assets in the consolidated balance sheet:				
Allowance for doubtful accounts	<u>\$ 29.2</u>	\$ 25.0	\$ (22.4) (1) 6.2 (4)	<u>\$ 38.0</u>
Other reserves:				
Self-insured property and casualty liability	<u>\$ 66.0</u>	\$ 13.8	\$ (17.9) (3) 0.1 (2) 0.9 (4)	<u>\$ 62.9</u>
Insured property and casualty liability	<u>\$ 0.6</u>		\$ (0.3) (3)	<u>\$ 0.3</u>
Environmental, litigation and other	<u>\$ 19.7</u>	\$ 7.5	\$ (1.2) (3) 0.1 (2) 0.4 (4)	<u>\$ 26.5</u>
<b><u>Year Ended September 30, 2005</u></b>				
Reserves deducted from assets in the consolidated balance sheet:				
Allowance for doubtful accounts	<u>\$ 22.3</u>	\$ 25.1	\$ (19.0) (1) \$ 0.8 (2)	<u>\$ 29.2</u>
Other reserves:				
Self-insured property and casualty liability	<u>\$ 57.8</u>	\$ 25.9	\$ (17.7) (3)	<u>\$ 66.0</u>
Insured property and casualty liability	<u>\$ 0.6</u>			<u>\$ 0.6</u>
Environmental, litigation and other	<u>\$ 34.7</u>	\$ (11.1)	\$ (4.7) (3) 0.8 (2)	<u>\$ 19.7</u>

**UGI CORPORATION AND SUBSIDIARIES**  
**SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS (continued)**  
(Millions of dollars)

**Year Ended September 30, 2004**

Reserves deducted from assets in  
the consolidated balance sheet:

Allowance for doubtful accounts	<u>\$ 14.8</u>	\$ 17.3	\$ (16.8) (1)	<u>\$ 22.3</u>
			\$ 5.6 (4)	
			1.4 (2)	
Other reserves:				
Self-insured property and casualty liability	<u>\$ 48.4</u>	\$ 26.1	\$ (17.3) (3)	<u>\$ 57.8</u>
			0.6 (4)	
Insured property and casualty liability	<u>\$ 0.6</u>			<u>\$ 0.6</u>
Environmental, litigation and other	<u>\$ 15.7</u>	\$ 6.3	\$ (3.8) (3)	<u>\$ 34.7</u>
			16.0 (4)	
			0.5 (2)	

- (1) Uncollectible accounts written off, net of recoveries.  
(2) Other adjustments.  
(3) Payments, net.  
(4) Acquisition

## **EXHIBIT INDEX**

<b><u>Exhibit No.</u></b>	<b><u>Description</u></b>
10.4	UGI Corporation 2004 Omnibus Equity Compensation Plan Utilities Employees Performance Unit Grant Letter dated as of January 1, 2006
10.7	UGI Corporation 2004 Omnibus Equity Compensation Plan UGI Employees Performance Unit Grant Letter dated as of January 1, 2006
10.10	UGI Corporation 1997 Stock Option and Dividend Equivalent Plan Amended and Restated as of May 24, 2005
10.13	UGI Corporation 2000 Directors' Stock Option Plan Amended and Restated as of May 24, 2005
10.14	UGI Corporation 2000 Stock Incentive Plan Amended and Restated as of May 24, 2005
10.17	UGI Corporation 2004 Omnibus Equity Compensation Plan, as amended May 24, 2005
10.22	Summary of Director Compensation as of October 1, 2006
10.38	2002 Non-Qualified Stock Option Plan Amended and Restated as of May 24, 2005
10.39	1992 Non-Qualified Stock Option Plan Amended and Restated as of May 24, 2005
10.66	UGI Corporation 2004 Omnibus Equity Compensation Plan Sub-Plan for French Employees effective December 6, 2005
10.66(a)	UGI Corporation 2004 Omnibus Equity Compensation Plan Sub-Plan for French Employees Performance Unit Grant Letter dated as of January 1, 2006
13	Pages 13 through 59 of the 2006 Annual Report to Shareholders

21	<i>Subsidiaries of the Registrant</i>
23	Consent of PricewaterhouseCoopers LLP
31.1	Certification by the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act
31.2	Certification by the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act
32	Certification by the Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act

**CERTIFICATION**

I, Lon R. Greenberg, certify that:

1. I have reviewed this annual report on Form 10-K of UGI Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:

- (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 8, 2006

/s/ Lon R. Greenberg

Lon R. Greenberg  
Chairman and  
Chief Executive Officer of  
UGI Corporation

**CERTIFICATION**

I, Anthony J. Mendicino, certify that:

1. I have reviewed this annual report on Form 10-K of UGI Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:

- (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 8, 2006

/s/ Anthony J. Mendicino

Anthony J. Mendicino  
Senior Vice President - Finance and  
Chief Financial Officer of  
UGI Corporation



**Certification by the Chief Executive Officer and Chief Financial Officer  
Relating to a Periodic Report Containing Financial Statements**

---

I, Lon R. Greenberg, Chief Executive Officer, and I, Anthony J. Mendicino, Chief Financial Officer, of UGI Corporation, a Pennsylvania corporation (the "Company"), hereby certify that to our knowledge:

- (1) The Company's periodic report on Form 10-K for the period ended September 30, 2006 (the "Form 10-K") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

\* \* \*

CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL OFFICER

/s/ Lon R. Greenberg  
Lon R. Greenberg

/s/ Anthony J. Mendicino  
Anthony J. Mendicino

Date: December 8, 2006

Date: December 8, 2006

**EXHIBIT C-3**  
**FINANCIAL STATEMENTS**  
**OF UGI ENERGY SERVICES, INC**

UGI Energy Services, Inc.'s audited balance sheet, income statement and statement of cash flow for each of the last two years are attached.

**UGI ENERGY SERVICES, INC.  
AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS**  
for the years ended September 30, 2007 and 2006

**Report of Independent Auditors**

To the Board of Directors and Stockholder of  
UGI Energy Services, Inc.:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, stockholder's equity and cash flows present fairly, in all material respects, the financial position of UGI Energy Services, Inc. and its subsidiaries at September 30, 2007 and 2006, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.



January 10, 2008

# UGI ENERGY SERVICES, INC. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

(Thousands of dollars, except share data)

	September 30, 2007	2006
<b><u>ASSETS</u></b>		
Current assets:		
Cash and cash equivalents	\$ 13,942	\$ 21,876
Restricted cash	6,164	11,473
Accounts receivable (less allowance for doubtful accounts of \$5,273 and \$5,783, respectively)	70,336	23,858
Accounts receivable - affiliates	17,110	15,438
Inventories	36,942	37,529
Income taxes recoverable	3,786	12,134
Deferred income taxes	6,565	13,378
Other current assets	1,552	2,461
Total current assets	<u>156,397</u>	<u>138,147</u>
Property, plant and equipment:		
Gross property, plant and equipment	103,423	93,239
Accumulated depreciation and amortization	(19,608)	(15,632)
Net property, plant and equipment	<u>83,815</u>	<u>77,607</u>
Goodwill	11,813	11,813
Intangible assets (less accumulated amortization of \$9,343 and \$10,893, respectively)	4,410	6,694
Other assets	5,082	4,232
Total assets	<u>\$ 261,517</u>	<u>\$ 238,493</u>
<b><u>LIABILITIES AND STOCKHOLDER'S EQUITY</u></b>		
Current liabilities:		
Accounts payable	\$ 80,382	\$ 83,616
Accounts payable - affiliates	1,215	1,651
Employee compensation and benefits accrued	7,773	6,896
Other current liabilities	7,529	8,070
Total current liabilities	<u>96,899</u>	<u>100,233</u>
Deferred income taxes	3,273	14,085
Other noncurrent liabilities	5,862	8,598
Commitments and contingencies (note 5)		
Common stockholder's equity:		
Additional paid-in capital	102,571	102,415
Retained earnings	59,553	31,188
Accumulated other comprehensive loss	(6,641)	(18,026)
Total common stockholder's equity	<u>155,483</u>	<u>115,577</u>
Total liabilities and stockholder's equity	<u>\$ 261,517</u>	<u>\$ 238,493</u>

See accompanying notes to consolidated financial statements.

**UGI ENERGY SERVICES, INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF INCOME**  
**(Thousands of dollars)**

	Year Ended September 30,	
	<u>2007</u>	<u>2006</u>
Revenues	\$ 1,336,052	\$ 1,414,717
Costs and expenses:		
Cost of sales	1,235,220	1,328,739
Operating and administrative expenses	36,426	35,047
Depreciation and amortization	6,926	6,716
Other expense (income), net	1,363	(7,403)
	<u>1,279,935</u>	<u>1,363,099</u>
Operating income	56,117	51,618
Interest income	1,327	1,008
Income before income taxes	57,444	52,626
Income tax expense	22,990	21,593
Net income	<u>\$ 34,454</u>	<u>\$ 31,033</u>

See accompanying notes to consolidated financial statements.

**UGI ENERGY SERVICES, INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF STOCKHOLDER'S EQUITY**  
**(Thousands of dollars, except share data)**

	<u>Common Stock</u>		<u>Additional paid-in capital</u>	<u>Retained earnings</u>	<u>Accumulated other comprehensive income (loss)</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>				
<b>Balance September 30, 2005</b>	100	\$ -	\$102,403	\$34,935	\$ 123	\$ 137,461
Net income				31,033		31,033
Net loss on derivative instruments (net of tax of \$30,293)					(42,817)	(42,817)
Reclassification of net losses on derivative instruments (net of tax of \$17,495)					24,668	24,668
Comprehensive income				31,033	(18,149)	12,884
Other			12			12
Cash dividends on Common Stock				(34,780)		(34,780)
<b>Balance September 30, 2006</b>	<u>100</u>	<u>-</u>	<u>102,415</u>	<u>31,188</u>	<u>(18,026)</u>	<u>115,577</u>
Net income				34,454		34,454
Net loss on derivative instruments (net of tax of \$9,802)					(13,755)	(13,755)
Reclassification of net losses on derivative instruments (net of tax of \$17,847)					25,140	25,140
Comprehensive income				34,454	11,385	45,839
Other			156			156
Cash dividends on Common Stock				(6,089)		(6,089)
<b>Balance September 30, 2007</b>	<u>100</u>	<u>\$ -</u>	<u>\$102,571</u>	<u>\$59,553</u>	<u>\$ (6,641)</u>	<u>\$ 155,483</u>

See accompanying notes to consolidated financial statements.

**UGI ENERGY SERVICES, INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Thousands of dollars)

	Year Ended September 30,	
	2007	2006
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 34,454	\$ 31,033
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation and amortization	6,926	6,716
Deferred income taxes, net	(12,087)	11,329
Net change in settled accumulated other comprehensive income	17,947	(29,218)
Collateral deposits refunded from (paid to) counterparties	-	17,900
Provision for uncollectible accounts	408	1,950
Other, net	(1,164)	(11,327)
Net change in:		
Accounts receivable, net of securitization	(48,558)	64,575
Inventories	587	8,867
Accounts payable	(3,670)	(44,064)
Income taxes recoverable or accrued	8,348	(11,864)
Other current assets and liabilities	473	7,102
Net cash provided by operating activities	<u>3,664</u>	<u>52,999</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Expenditures for property, plant and equipment	(10,708)	(5,308)
Net costs from disposals of assets	(110)	(24)
Net proceeds from sale of Energy Ventures	-	13,267
Decrease (increase) in restricted cash	5,309	(6,607)
Net cash (used) provided by investing activities	<u>(5,509)</u>	<u>1,328</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividends paid	(6,089)	(34,780)
Net cash used by financing activities	<u>(6,089)</u>	<u>(34,780)</u>
Cash and cash equivalents (decrease) increase	<u>\$ (7,934)</u>	<u>\$ 19,547</u>
Cash and cash equivalents:		
End of year	\$ 13,942	\$ 21,876
Beginning of year	21,876	8,829
(Decrease) increase	<u>\$ (7,934)</u>	<u>\$ 13,047</u>

See accompanying notes to consolidated financial statements.



# UGI ENERGY SERVICES, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements (continued)

(Thousands of dollars, except where indicated otherwise)

### **Note 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**

**Organization.** UGI Energy Services, Inc. ("Energy Services"), a wholly owned subsidiary of UGI Enterprises, Inc. ("Enterprises") which is wholly owned by UGI Corporation ("UGI"), was formed on March 17, 1995 as a Pennsylvania corporation. Energy Services conducts a non-utility energy marketing business under the trade names GASMAR<sup>®</sup> and POWERMARK<sup>®</sup>. Energy Services sells natural gas directly to commercial and industrial customers in the Eastern United States primarily through the distribution systems of various utilities. Energy Services also sells fuel oil and electricity to commercial and industrial customers in certain Middle Atlantic states. Energy Services' wholly owned subsidiary UGI Development Company ("UGID") owns and operates a 48-megawatt coal-fired generation station in northeastern Pennsylvania and owns a 5.97% interest in a 1,711-megawatt coal-fired generation station in western Pennsylvania. In addition, Energy Services' wholly owned subsidiary UGI Asset Management, Inc., through its subsidiary Atlantic Energy, Inc. (collectively, "Asset Management"), owns a propane storage terminal located in Chesapeake, Virginia. Energy Services also owns and operates a natural gas liquefaction, storage and vaporization facility and propane storage and propane air-mixing assets.

**Consolidation Principles.** The consolidated financial statements include the accounts of Energy Services and its majority-owned subsidiaries. Prior to the sale of its 50% ownership interest in Energy Ventures in March 2006, UGID's 50% ownership interest in its electric generation joint venture, Hunlock Creek Energy Ventures, was accounted for under the equity method. Energy Services and its subsidiaries are collectively referred to herein as "the Company" or "we." We eliminate all significant intercompany accounts and transactions when we consolidate. Energy Services' wholly owned, special purpose subsidiary, Energy Services Funding Corporation ("ESFC"), is consolidated for financial statement purposes (see Note 7).

**Use of Estimates.** We make estimates and assumptions when preparing financial statements in conformity with accounting principles generally accepted in the United States of America. These estimates and assumptions affect the reported amounts of assets and liabilities, revenues and expenses, as well as the disclosure of contingent assets and liabilities. Actual results could differ from these estimates.

**Derivative Instruments.** The Company uses exchange-traded and over the counter natural gas futures contracts, and to a much lesser extent commodity option contracts, to manage market risk associated with forecasted purchases of natural gas it sells under firm commitments and forecasted sales at market prices. In addition, the Company uses price swap and option contracts to manage market risk associated with forecasted purchases of propane it sells under firm commitments. These derivatives are designated and qualify as cash flow hedges in accordance with Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"). The effective portion of the gain or loss on cash flow hedge derivative instruments is reported in other comprehensive income and the ineffective portion, if any, is reported in net income. Amounts reported in other comprehensive income are reclassified into net income when the forecasted transaction affects earnings. If a cash flow hedge is discontinued because it is probable that the forecasted transaction will not occur, the net gain or loss is immediately reclassified into net income. For a detailed description of

# UGI ENERGY SERVICES, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements (continued)

(Thousands of dollars, except where indicated otherwise)

the derivative instruments we use, our objectives for using them, and related supplemental information required by SFAS 133, see Note 6.

**Consolidated Statements of Cash Flows.** We define cash equivalents as all highly liquid investments with maturities of three months or less when purchased. We record cash equivalents at cost plus accrued interest, which approximates market value. Restricted cash represents cash deposited in our natural gas futures accounts to satisfy margin requirements. No interest was paid during the years ended September 30, 2007 and 2006. During the years ended September 30, 2007 and 2006, we paid income taxes totaling \$26,570 and \$22,127, respectively.

**Revenue Recognition.** We recognize revenues primarily when energy products are delivered to customers.

**Inventories.** Inventories normally consist of natural gas, liquefied natural gas and propane. We state our inventories at the lower of cost or market. We determine cost using an average cost method.

**Income Taxes.** We join with UGI and its subsidiaries in filing a consolidated federal income tax return. We are charged or credited for our share of current taxes resulting from the effects of our transactions in the UGI consolidated federal income tax return including giving effect to intercompany transactions. The result of this allocation is generally consistent with income taxes calculated on a separate return basis.

**Property, Plant and Equipment and Related Depreciation.** Property, plant, and equipment are stated at cost. The amounts that we assign to property, plant and equipment of businesses that we acquire are based upon estimated fair value at date of acquisition. When we retire or otherwise dispose of plant and equipment, we eliminate the associated cost and accumulated depreciation and recognize any resulting gain or loss in "other income, net" in the Consolidated Statements of Income. We compute depreciation expense on plant and equipment associated with UGID's electricity generation assets on a straight-line basis over 25 years. We compute depreciation expense on our other assets using the straight-line method over estimated service lives generally ranging from 3 to 11 years for buildings and improvements; 10 to 20 years for natural gas and propane storage and distribution equipment; and 3 to 8 years for office furniture and fixtures.

Property, plant and equipment comprise the following at September 30:

	2007	2006
Land	\$ 5,829	\$ 5,829
Buildings and improvements	10,386	10,239
Natural gas and propane storage and distribution equipment	29,755	21,242
Electric generation assets	55,110	54,103
Office furniture and fixtures	2,343	1,826
Gross property, plant and equipment	103,423	93,239
Less accumulated depreciation and amortization	(19,608)	(15,632)
Net property, plant and equipment	\$ 83,815	\$ 77,607

# UGI ENERGY SERVICES, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements (continued)

(Thousands of dollars, except where indicated otherwise)

Depreciation expense was \$4,601 and \$4,432, for the years ended September 30, 2007 and 2006, respectively.

**Intangible Assets.** Intangible assets comprise the following at September 30:

	2007	2006
Subject to amortization:		
Customer relationships, customer contracts and noncompete agreements	\$ 13,753	\$ 17,587
Accumulated amortization	(9,343)	(10,893)
	\$ 4,410	\$ 6,694
Not subject to amortization:		
Goodwill	\$ 11,813	\$ 11,813

We amortize customer relationships, customer contracts and noncompete agreement intangibles over their estimated periods of benefit which do not exceed seven years. Amortization expense of intangible assets was \$2,284 in each of the years ended September 30, 2007 and 2006. We do not amortize goodwill, but test it annually or more frequently if events or circumstances indicate the value of goodwill might be impaired. We test goodwill using a fair value approach at the reporting unit level. No provisions for goodwill impairment were recorded during the years ended September 30, 2007 or 2006. Estimated amortization of intangible assets during the next five fiscal years is as follows: Fiscal 2008 - \$2,173; Fiscal 2009 - \$1,842; Fiscal 2010 - \$395; Fiscal 2011 - \$0; Fiscal 2012 - \$0.

**Stock-Based Compensation.** Effective October 1, 2005, we adopted SFAS No. 123 (revised 2004), "Share-Based Payment" ("SFAS 123R"). The adoption of SFAS 123R did not have a material impact on our financial statements during the years ended September 30, 2007 or 2006. See Note 4 for further information regarding our employee incentive and retirement plans.

**Comprehensive Income.** Comprehensive income comprises net income and other comprehensive income (loss). Other comprehensive income (loss) results from gains and losses on natural gas futures and option contracts qualifying as cash flow hedges.

**Recently Issued Accounting Pronouncements.** In September 2006, the Financial Accounting Standards Board ("FASB") issued SFAS No. 157, "Fair Value Measurements," ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. The provisions of this standard apply to other accounting pronouncements that require or permit fair value measurements. The provisions of SFAS 157 are effective for our fiscal year beginning October 1, 2008. We are currently evaluating the potential impact of SFAS 157.

In February 2007, The FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities - Including an amendment of FASB Statement No. 115" ("SFAS 159") which

# UGI ENERGY SERVICES, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements (continued)

(Thousands of dollars, except where indicated otherwise)

permits entities to choose to measure certain financial instruments at fair value that are not currently required to be measured at fair value. Upon adoption of SFAS 159, a cumulative adjustment will be made to beginning retained earnings for the initial fair value option remeasurement. Subsequent unrealized gains and losses for remeasured assets and liabilities will be reported in earnings. SFAS 159 is effective for our fiscal year beginning October 1, 2008 and shall not be applied retrospectively, except as permitted by certain conditions for early adoption. We are currently evaluating the potential impact of SFAS 159.

In June 2006, the FASB issued Interpretation No. 48 ("FIN 48"), "Accounting for Uncertainty in Income Taxes," which clarifies the accounting for uncertainty in income taxes. FIN 48 requires the impact of a tax position be recognized if the tax position is more likely than not of being sustained on audit, based on the technical merits of the position. The tax position is measured at the largest amount of benefit that is greater than 50% likely of being realized upon effective settlement. The provisions of FIN 48 are effective for our fiscal year beginning October 1, 2007, with any cumulative effect of the change in accounting principle recorded as an adjustment to opening retained earnings. The Company has determined that its expected charge to beginning retained earnings as of October 1, 2007 will not be material.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), "Business Combinations" ("SFAS 141R"). SFAS 141R applies to all transactions or other events in which an entity obtains control of one or more businesses. SFAS 141R establishes, among other things, principles and requirements for how the acquirer (1) recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree; (2) recognizes and measures the goodwill acquired in a business combination or gain from a bargain purchase; and (3) determines what information with respect to a business combination should be disclosed. SFAS 141R applies prospectively to business combinations for which the acquisition date is on or after the first annual reporting period beginning on or after December 15, 2008. We are currently evaluating the impact of the provisions of SFAS 141R.

Also in December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements – an amendment of ARB No. 51" ("SFAS 160"). SFAS 160 establishes accounting and reporting standards that require, among other things, (1) ownership interests in subsidiaries held by parties other than the parent be presented within equity, but separate from the parent's equity; (2) the amount of consolidated net income attributable to the parent and the noncontrolling interest be presented clearly on the income statement; (3) changes in a parent's ownership interest while retaining control be accounted for as equity transactions; and (4) any retained noncontrolling equity investments in a former subsidiary be initially measured at fair value. SFAS 160 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. We are currently evaluating the impact of the provisions of SFAS 160.

### **Note 2 – SALE OF HUNLOCK CREEK ENERGY VENTURES**

In March 2006, UGID sold its 50% ownership interest in Hunlock Creek Energy Ventures ("Energy Ventures") to Allegheny Energy Supply Hunlock Creek, LLC. Energy Ventures' assets primarily comprised a 44-megawatt gas-fired combustion turbine electric generator and a 48-megawatt coal-fired

# UGI ENERGY SERVICES, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements (continued)

(Thousands of dollars, except where indicated otherwise)

electric generation facility. As part of the consideration in this sale, Energy Ventures transferred ownership in the 48-megawatt coal-fired electric generation station to UGID. UGID recorded a net pre-tax gain of \$9,075 (\$5,282 after-tax) associated with this transaction, which is reflected in "other income, net" in the Consolidated Statement of Income for the year ended September 30, 2006.

### Note 3 – INCOME TAXES

The provision for income taxes consists of the following:

	2007	2006
Current expense:		
Federal	\$ 27,625	\$ 8,114
State	7,453	2,150
Total current expense	35,078	10,264
Deferred expense (benefit):		
Federal	(9,233)	8,569
State	(2,855)	2,760
Total deferred expense (benefit)	(12,088)	11,329
Total income tax expense	\$ 22,990	\$21,593

A reconciliation from the statutory federal tax rate to our effective tax rate is as follows:

	2007	2006
Statutory federal tax rate	35.0%	35.0%
Difference in tax rate due to :		
State income taxes, net of federal benefit	5.1	6.2
Other, net	(0.1)	(0.1)
Effective tax rate	40.0%	41.0%

# UGI ENERGY SERVICES, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements (continued) (Thousands of dollars, except where indicated otherwise)

Deferred tax liabilities (assets) comprise the following at September 30:

	2007	2006
Financial instruments	\$ -	\$ 11,530
Excess book basis over tax basis of property, plant and equipment	7,761	7,817
Other	460	-
Gross deferred tax liabilities	8,221	19,347
Employee-related benefits	(1,870)	(1,544)
State net operating loss carryforward	(1,151)	(1,151)
Deferred revenue	(1,807)	(1,462)
Bad debt reserve	(2,284)	(2,495)
Financial instruments	(4,712)	(12,775)
Other	(843)	(367)
Gross deferred tax assets	(12,667)	(19,794)
Deferred tax assets valuation allowance	1,154	1,154
Net deferred tax liabilities (assets)	\$ (3,292)	\$ 707

At September 30, 2007 deferred tax assets include \$1,154 of deferred tax assets associated with state operating loss carry-forwards expiring through 2027. A valuation allowance of \$1,154 has been provided for all deferred tax assets related to state net operating loss carry-forwards and other state deferred tax assets of certain subsidiaries because, on a state reportable basis, it is more likely than not that these assets will be unusable. We first recognize the utilization of state net operating losses from operations (which exclude the impact of tax deductions for exercises of non-qualified stock options) to reduce income tax expense. Then, to the extent state net operating loss carry-forwards, when realized, relate to non-qualified stock option deductions, the resulting benefits will be credited to stockholder's equity.

### **Note 4 – EMPLOYEE INCENTIVE AND RETIREMENT PLANS**

**Defined Contribution Plan.** UGI sponsors a 401(k) savings plan for eligible employees of Energy Services and subsidiaries. Generally, participants in the plan may contribute a portion of their compensation on a before-tax basis, or on both a before-tax and after-tax basis. The savings plan also provides for employer matching contributions at various rates. The cost of benefits under the savings plan during the years ended September 30, 2007 and 2006 totaled \$530 and \$522, respectively.

**Phantom Share Appreciation Rights.** The Company has a phantom share appreciation rights ("SAR") plan under which it may grant awards of SARs to key employees. SARs vest ratably over a three-year period from the date of grant and generally can be redeemed after the vesting period, but no later than ten years from the date of grant. Awards of SARs are determined by the Board of Directors or its designate. Effective in 2006, the Company discontinued granting new awards under the SAR plan. The fair value of SARs is determined annually utilizing an average earnings-based formula. During the years ended September 30, 2007 and 2006, we recorded \$1,153 and \$655, respectively of compensation expense associated with the SAR plan. There were 28,480 and 29,540 SARs outstanding at September 30, 2007 and 2006, respectively.

# UGI ENERGY SERVICES, INC. AND SUBSIDIARIES

## **Notes to Consolidated Financial Statements (continued)**

(Thousands of dollars, except where indicated otherwise)

**UGI Incentive Plan.** Under UGI Corporation's 2004 Omnibus Equity Compensation Plan, as Amended and Restated on December 5, 2006 (the "UGI OECF"), a limited number of key employees of the Company may be granted stock options to acquire shares of UGI Common Stock, stock appreciation rights ("UGI SARS"), UGI Units (comprising "Stock Units" or "Performance Units") and other equity-based amounts. The adoption of SFAS 123R with respect to these UGI incentive awards did not have a material effect on the Consolidated Financial Statements.

### **Note 5 – COMMITMENTS AND CONTINGENCIES**

We lease various buildings and computer and office equipment under operating leases. Certain of our leases contain renewal and purchase options and also contain escalation clauses. Our aggregate rental expense for such leases was \$592 and \$554 during the years ended September 30, 2007 and 2006, respectively.

Minimum future payments under operating leases that have initial or remaining noncancelable terms in excess of one year are as follows: Fiscal 2008 - \$531; Fiscal 2009 - \$342; Fiscal 2010 - \$325; Fiscal 2011 - \$334; Fiscal 2012 - \$334; after 2012 - \$723.

Energy Services enters into fixed-price contracts with suppliers to purchase natural gas to meet its sales commitments and Atlantic Energy enters into fixed-price contracts with suppliers to purchase propane. Generally, these contracts have terms of less than two years. The Company's contractual obligations under these fixed-price supply contracts existing at September 30, 2007 are as follows: Fiscal 2008 - \$462,633; Fiscal 2009 - \$47,276.

We believe, after consultation with counsel, that there are currently no pending claims or legal actions that could have a material adverse effect on our financial position or results of operations.

### **Note 6 – FINANCIAL INSTRUMENTS**

In accordance with our natural gas price risk management policy, we use exchange-traded and over the counter natural gas futures and option contracts and propane swap and option contracts to manage market risk associated with forecasted purchases of natural gas and propane we sell under firm commitments and forecasted sales at market prices. These derivative instruments are designated as cash flow hedges. The fair values of these futures contracts are affected by changes in natural gas prices and propane.

During the years ended September 30, 2007 and 2006, there were no material gains or losses recognized in earnings resulting from hedge ineffectiveness or from excluding a portion of a derivative instrument's gain or loss from the assessment of hedge effectiveness. Gains and losses included in accumulated other comprehensive income at September 30, 2007 relating to natural gas futures and option contracts will be reclassified into cost of sales when the forecasted purchase of natural gas subject to the hedges affects net income. Included in accumulated other comprehensive loss at September 30, 2007 and 2006 are net after-tax losses of \$772 and of \$1,763 associated with unsettled contracts for future purchases of natural gas and propane generally anticipated to occur within the next twelve months. Also included in

## UGI ENERGY SERVICES, INC. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (continued)

(Thousands of dollars, except where indicated otherwise)

accumulated other comprehensive loss at September 30, 2007 and 2006 are net after-tax losses of \$5,869 and \$16,258 associated with settled contracts for future purchases of natural gas and propane generally anticipated to occur within the succeeding twelve months. The actual amount of gains or losses on the unsettled natural gas futures and option contracts that ultimately are reclassified into net income will depend upon the value of such contracts when settled.

The carrying amounts of financial instruments included in current assets and current liabilities (excluding unsettled natural gas futures and option contracts) approximate their fair values because of their short-term nature. Our remaining financial instruments at September 30, 2007 and 2006 comprise unsettled natural gas futures and propane swap and option contracts having a fair value of \$(1,320) and \$(3,013), respectively. The fair value of these contracts is included in other current liabilities and other noncurrent liabilities in the Consolidated Balance Sheets.

We have trade accounts receivable which could expose us to concentration of credit risk. The credit risk from trade accounts receivable is limited because we have no single customer that accounts for more than 10% of revenues.

#### **Note 7 – ACCOUNTS RECEIVABLE SECURITIZATION FACILITY**

Energy Services has a \$200,000 receivables purchase facility ("Receivables Facility") with an issuer of receivables-backed commercial paper expiring in April 2009, although the Receivables Facility may terminate prior to such date due to the termination of the commitments of the Receivable Facility's back-up purchasers. Prior to September 2006, the maximum level of funding available at any one time from this facility was \$150,000. In order to provide additional short-term liquidity during the peak heating season due to increased energy costs, the maximum level of funding available at any one time from this facility was temporarily increased to \$300,000 for the period from November 1, 2005 to April 24, 2006. Under the Receivables Facility, Energy Services transfers, on an ongoing basis and without recourse, its trade accounts receivable to its wholly owned, special purpose subsidiary, ESFC, which is consolidated for financial statement purposes. ESFC, in turn, has sold, and subject to certain conditions, may from time to time sell, an undivided interest in the receivables to a commercial paper conduit of a major bank. ESFC was created and has been structured to isolate its assets from creditors of Energy Services and its affiliates. This two-step transaction is accounted for as a sale of receivables following the provisions of SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." Energy Services continues to service, administer and collect trade receivables on behalf of the commercial paper issuer and ESFC.

During the years ended September 30, 2007 and 2006, Energy Services sold trade receivables totaling \$1,240,967 and \$1,305,951, respectively, to ESFC. During the years ended September 30, 2007 and 2006, ESFC sold an aggregate \$495,500 and \$859,500, respectively, of undivided interests in its trade receivables to the commercial paper conduit. At September 30, 2007, the outstanding balance of ESFC trade receivables were \$65,721 of which is net of \$16,000 that was sold to the commercial paper conduit and removed from the balance sheet. At September 30, 2006, the outstanding balance of ESFC trade receivables was \$24,123 which is net of \$60,500 that was sold to the commercial paper conduit and removed from the balance sheet. Losses on sales of receivables to the commercial paper conduit that



# UGI ENERGY SERVICES, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements (continued)

(Thousands of dollars, except where indicated otherwise)

occurred during the years ended September 30, 2007 and 2006, which are included in "other income, net," were \$1,548 and \$3,336, respectively.

In addition, a major bank has committed to issue up to \$50,000 of standby letters of credit, secured by cash or marketable securities ("LC Facility"). Energy Services expects to fund the collateral requirements with borrowings under its Receivables Facility. The LC Facility expires in April 2008.

### **Note 8 -- RELATED PARTY TRANSACTIONS**

Enterprises allocates a portion of its payroll and related benefit costs to Energy Services for employee services provided to the Company. Such allocated expenses totaled \$287 and \$194 during the years ended September 30, 2007 and 2006, respectively.

UGI provides certain financial and administrative services to Energy Services. UGI bills Energy Services monthly for all direct expenses and for an allocated share of indirect corporate expenses incurred or paid on behalf of Energy Services. During the years ended September 30, 2007 and 2006, these amounts totaled \$1,447 and \$2,493, respectively.

Energy Services has entered into a Storage Contract Administration Agreement ("Storage Agreement") extending through October 31, 2008 with UGI Utilities, a wholly owned subsidiary of UGI. Under the Storage Agreement, UGI Utilities has, among other things, and subject to recall for operational purposes, released certain storage and transportation contracts to Energy Services for the term of the Storage Agreement. UGI Utilities also transferred certain associated storage inventories upon commencement of the Storage Agreement, will receive a transfer of storage inventories at the end of the Storage Agreement, and makes payments associated with refilling storage inventories during the term of the Storage Agreement. In exchange for the ability to use these transferred assets, Energy Services pays a monthly fee to UGI Utilities, and Energy Services provides a firm natural gas delivery service to UGI Utilities. During the years ended September 30, 2007 and 2006, Energy Services sold natural gas storage inventories and charged UGI Utilities associated pipeline transportation and storage capacity charges pursuant to the Storage Agreement totaling \$92,683 and \$85,839, respectively.

Pursuant to a Gas Supply and Delivery Service Agreement with UGI Utilities, Energy Services provides certain gas supply and related delivery services to UGI Utilities during the peak heating-season months of November to March. In addition, from time to time UGI Utilities purchases natural gas or pipeline capacity from Energy Services. During the years ended September 30, 2007 and 2006, the aggregate amount of these transactions (exclusive of Storage Agreement transactions) totaled \$34,277 and \$15,114, respectively.

In addition, from time to time, Energy Services purchases natural gas or pipeline capacity from UGI Utilities. During the years ended September 30, 2007 and 2006, purchases from UGI Utilities totaled \$33,413 and \$14,080, respectively.

UGI Utilities provides certain accounting and administrative services to UGID and is reimbursed for such costs. Such costs were not material during the years ended September 30, 2007 and 2006.

## UGI ENERGY SERVICES, INC. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (continued)

(Thousands of dollars, except where indicated otherwise)

At September 30, 2007 and 2006, amounts due from UGI Utilities associated principally with the transactions described above were \$13,253 and \$12,236, respectively, which are included in accounts receivable – affiliates on the Consolidated Balance Sheets. At September 30, 2007 and 2006, accounts payable to UGI Utilities totaled \$1,022 and \$1,556, respectively which are included in accounts payable – affiliates on the Consolidated Balance Sheets.

In November 2004, in conjunction with Energy Services' acquisition of Atlantic Energy, Asset Management and AmeriGas entered into a Product Sales Agreement whereby Asset Management has agreed to sell and AmeriGas has agreed to purchase a specified amount of propane annually at the Atlantic Energy terminal in Chesapeake, Virginia. The Product Sales Agreement took effect on April 1, 2005 and will continue for an initial term of five years with an option to extend the agreement for up to an additional five years. The price to be paid for product sold under the Product Sales Agreement is determined annually using a formula that takes into account published index prices and the locational value of deliveries at the Atlantic Energy terminal. Pursuant to the Product Sales Agreement, Energy Services sold propane to AmeriGas totaling \$34,654 and \$37,337 during the years ended September 30, 2007 and 2006, respectively. At September 30, 2007 and 2006, amounts due from AmeriGas were \$3,519 and \$3,128, respectively which are included in accounts payable – affiliates on the Consolidated Balance Sheets.

Energy Services has a financing agreement with UGI under which Energy Services may borrow up to \$10,000. Interest rates on borrowings are based upon one-month LIBOR plus a margin (which margin ranges from 1.00% to 2.50%). The financing agreement may be terminated by either party upon ten days written notification. At September 30, 2007 and 2006, there were no borrowings outstanding under this agreement.

**UGI ENERGY SERVICES, INC.  
AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS  
for the years ended September 30, 2006 and 2005**

**Report of Independent Auditors**

To the Board of Directors and Stockholder of  
UGI Energy Services Inc.:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, stockholder's equity and cash flows present fairly, in all material respects, the financial position of UGI Energy Services, Inc. and its subsidiaries (the "Company") at September 30, 2006 and 2005, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

*PricewaterhouseCoopers LLP*

January 11, 2007

**UGI ENERGY SERVICES, INC. AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEETS**

(Thousands of dollars, except share data)

	September 30,	
	2006	2005
<b><u>ASSETS</u></b>		
Current assets:		
Cash and cash equivalents	\$ 21,876	\$ 8,829
Restricted cash	11,473	4,866
Accounts receivable (less allowance for doubtful accounts of \$5,783 and \$4,617, respectively)	23,858	91,490
Accounts receivable-affiliates	15,438	14,331
Inventories	37,529	44,036
Income taxes recoverable	12,134	270
Deferred income taxes	13,378	2,545
Other current assets	2,461	9,488
Total current assets	<u>138,147</u>	<u>175,855</u>
Property, plant and equipment		
Gross property, plant and equipment	93,239	85,990
Accumulated depreciation and amortization	<u>(15,632)</u>	<u>(11,496)</u>
Net property, plant and equipment	77,607	74,494
Goodwill	11,813	11,813
Intangible assets (less accumulated amortization of \$10,893 and \$8,609, respectively)	6,694	8,978
Collateral deposits paid to counterparties	-	17,900
Other assets	4,232	10,097
Total assets	<u>\$ 238,493</u>	<u>\$ 299,137</u>
<b><u>LIABILITIES AND STOCKHOLDER'S EQUITY</u></b>		
Current liabilities:		
Accounts payable	\$ 83,616	\$ 128,179
Accounts payable-affiliates	1,651	1,153
Notes payable-affiliates	-	6,500
Employee compensation and benefits accrued	6,896	6,156
Other current liabilities	8,070	5,503
Total current liabilities	<u>100,233</u>	<u>147,491</u>
Deferred income taxes	14,085	4,777
Other noncurrent liabilities	8,598	9,408
Commitments and contingencies (note 5)		
Common Stockholder's Equity:		
Additional paid-in capital	102,415	102,403
Retained earnings	31,188	34,935
Accumulated other comprehensive (loss) income	<u>(18,026)</u>	<u>123</u>
Total common stockholder's equity	<u>115,577</u>	<u>137,461</u>
Total liabilities and stockholder's equity	<u>\$ 238,493</u>	<u>\$ 299,137</u>

See accompanying notes to consolidated financial statements.

**UGI ENERGY SERVICES, INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF INCOME**

(Thousands of dollars)

	Year Ended September 30,	
	2006	2005
Revenues	\$1,414,717	\$1,355,028
Costs and expenses:		
Cost of sales	1,328,739	1,280,887
Operating and administrative expenses	35,047	29,294
Depreciation and amortization	6,716	5,736
Other (income) expense, net	(7,403)	44
	<u>1,363,099</u>	<u>1,315,961</u>
Operating income	51,618	39,067
Interest income	1,008	527
Income before income taxes	<u>52,626</u>	<u>39,594</u>
Income tax expense	21,593	16,634
Net income	<u>\$ 31,033</u>	<u>\$ 22,960</u>

See accompanying notes to consolidated financial statements.

**UGI ENERGY SERVICES, INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF STOCKHOLDER'S EQUITY**

(Thousands of dollars, except share data)

	<u>Common Stock</u>		<u>Additional paid-in capital</u>	<u>Retained earnings</u>	<u>Accumulated other comprehensive income (loss)</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>				
<b>Balance September 30, 2004</b>	100	\$ -	\$ 79,238	\$ 20,975	\$ 6,686	\$ 106,899
Net income				22,960		22,960
Net loss on derivative instruments (net of tax of \$2,852)					(3,865)	(3,865)
Reclassification of net gains on derivative instruments (net of tax of \$1,913)					(2,698)	(2,698)
Comprehensive income				22,960	(6,563)	16,397
Capital contribution from affiliate			23,156			23,156
Other			9			9
Cash dividends on Common Stock				(9,000)		(9,000)
<b>Balance September 30, 2005</b>	<u>100</u>	<u>-</u>	<u>102,403</u>	<u>34,935</u>	<u>123</u>	<u>137,461</u>
Net income				31,033		31,033
Net loss on derivative instruments (net of tax of \$30,293)					(42,817)	(42,817)
Reclassification of net losses on derivative instruments (net of tax of \$17,495)					24,668	24,668
Comprehensive income				31,033	(18,149)	12,884
Other			12			12
Cash dividends on Common Stock				(34,780)		(34,780)
<b>Balance September 30, 2006</b>	<u>100</u>	<u>\$ -</u>	<u>\$102,415</u>	<u>\$31,188</u>	<u>\$ (18,026)</u>	<u>\$ 115,577</u>

See accompanying notes to consolidated financial statements.

**UGI ENERGY SERVICES, INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Thousands of dollars)

	Year Ended September 30,	
	2006	2005
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 31,033	\$ 22,960
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation and amortization	6,716	5,738
Deferred income taxes, net	11,329	1,287
Net change in settled accumulated other comprehensive income	(29,218)	(5,189)
Collateral deposits refunded from (paid to) counterparties	17,900	(17,900)
Provision for uncollectible accounts	1,950	2,056
Other, net	(11,327)	(848)
Net change in:		
Accounts receivable	64,575	(25,324)
Inventories	8,867	(19,220)
Accounts payable	(44,064)	49,544
Income taxes recoverable or accrued	(11,864)	(1,584)
Other current assets and liabilities	7,102	(3,184)
Net cash provided by operating activities	<u>52,999</u>	<u>8,336</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Expenditures for property, plant and equipment	(5,308)	(6,226)
Net (costs) proceeds from disposals of assets	(24)	443
Net proceeds from sale of Energy Ventures	13,267	-
Increase in restricted cash	(6,607)	(4,866)
Acquisition of Atlantic Energy, net of cash acquired	-	(20,438)
Net cash provided (used) by investing activities	<u>1,328</u>	<u>(31,087)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Short-term borrowings	(6,500)	6,500
Dividends paid	(34,780)	(9,000)
Capital contribution from affiliate	-	23,050
Net cash (used) provided by financing activities	<u>(41,280)</u>	<u>20,550</u>
<b>Cash and cash equivalents increase (decrease)</b>	<u>\$ 13,047</u>	<u>\$ (2,201)</u>
<b>Cash and cash equivalents:</b>		
End of year	\$ 21,876	\$ 8,829
Beginning of year	8,829	11,030
Increase/(decrease)	<u>\$ 13,047</u>	<u>\$ (2,201)</u>

See accompanying notes to consolidated financial statements.



# UGI ENERGY SERVICES, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements (continued) (Thousands of dollars, except where indicated otherwise)

### **Note 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**

**Organization.** UGI Energy Services, Inc. ("Energy Services"), a wholly owned subsidiary of UGI Enterprises, Inc. ("Enterprises") which is wholly owned by UGI Corporation ("UGI"), was formed on March 17, 1995 as a Pennsylvania corporation. Energy Services conducts a non-utility energy marketing business under the trade names GASMAR<sup>®</sup> and POWERMARK<sup>®</sup>. Energy Services sells natural gas directly to commercial and industrial customers primarily in the eastern region of the United States through the transportation systems of various utilities. Energy Services also sells fuel oil and has the ability to sell electricity to commercial and industrial customers in Pennsylvania, New Jersey, and Maryland. Energy Services' wholly owned subsidiary UGI Development Company ("UGID") owns and operates a 48-megawatt coal-fired electric generation station and owns a 6% interest in Pennsylvania-based electric generation assets. In addition, Energy Services' wholly owned subsidiary UGI Asset Management, Inc., through its wholly owned subsidiary Atlantic Energy, Inc. (collectively, "Asset Management"), owns a propane storage terminal located in Chesapeake, Virginia (see Note 2).

**Consolidation Principles.** The consolidated financial statements include the accounts of Energy Services and its majority owned subsidiaries. Prior to UGID's March 2006 sale of its 50% ownership interest in Hunlock Creek Energy Ventures ("Energy Ventures"), Energy Ventures was accounted for under the equity method (see Note 2). Energy Services and its subsidiaries are collectively referred to herein as "the Company" or "we." We eliminate all significant intercompany accounts and transactions when we consolidate. Energy Services' wholly owned, special purpose subsidiary, Energy Services Funding Corporation ("ESFC"), is consolidated for financial statement purposes (see Note 7).

**Use of Estimates.** We make estimates and assumptions when preparing financial statements in conformity with accounting principles generally accepted in the United States of America. These estimates and assumptions affect the reported amounts of assets and liabilities, revenues and expenses, as well as the disclosure of contingent assets and liabilities. Actual results could differ from these estimates.

**Reclassifications.** We have reclassified certain prior-year balances to conform to the current-year presentation.

**Derivative Instruments.** Energy Services uses exchange-traded and over-the-counter natural gas futures contracts, and to a much lesser extent commodity option contracts, to manage market risk associated with forecasted purchases of natural gas it sells under firm commitments. In addition, Energy Services uses price swap and option contracts to manage market risk associated with forecasted purchases of propane it sells under firm commitments. These derivatives are designated and qualify as cash flow hedges in accordance with Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"). The effective portion of the gain or loss on cash flow hedge derivative instruments is reported in other comprehensive income and the ineffective portion, if any, is reported in net income. Amounts reported in other comprehensive income are reclassified into net income when the forecasted transaction affects earnings. If a cash flow hedge is discontinued because it is probable that the forecasted transaction will not occur, the net gain or loss is immediately reclassified into net income. For a detailed description of the derivative instruments

# UGI ENERGY SERVICES, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements (continued)

(Thousands of dollars, except where indicated otherwise)

we use, our objectives for using them, and related supplemental information required by SFAS 133, see Note 6.

**Consolidated Statements of Cash Flows.** We define cash equivalents as all highly liquid investments with maturities of three months or less when purchased. We record cash equivalents at cost plus accrued interest, which approximates market value. Restricted cash represents cash deposited in our natural gas futures accounts to satisfy margin requirements. No interest was paid during the years ended September 30, 2006 and 2005. During the years ended September 30, 2006 and 2005, we paid income taxes totaling \$22,127 and \$16,922, respectively.

**Revenue Recognition.** We recognize revenues primarily when energy products are delivered to customers.

**Inventories.** Inventories normally consist of natural gas, liquefied natural gas and propane. We state our inventories at the lower of cost or market. We determine cost using an average cost method.

**Income Taxes.** We join with UGI and its subsidiaries in filing a consolidated federal income tax return. We are charged or credited for our share of current taxes resulting from the effects of our transactions in the UGI consolidated federal income tax return including giving effect to intercompany transactions. The result of this allocation is generally consistent with income taxes calculated on a separate return basis.

**Property, Plant and Equipment and Related Depreciation.** Property, plant, and equipment are stated at cost. The amounts that we assign to property, plant and equipment of businesses that we acquire are based upon estimated fair value at date of acquisition. When we retire or otherwise dispose of plant and equipment, we remove the cost and accumulated depreciation from the appropriate accounts and any resulting gain or loss is recorded and reflected in other income, net in the Consolidated Statements of Income. We compute depreciation expense on plant and equipment associated with UGI's electricity generation assets on a straight-line basis over 25 years. We compute depreciation expense on our other assets using the straight-line method over estimated service lives generally ranging from 3 to 11 years for buildings and improvements; 10 to 20 years for natural gas and propane storage and distribution equipment; and 3 to 8 years for office furniture and fixtures.

Property, plant and equipment consisted of the following at September 30:

	2006	2005
Land	\$ 5,829	\$ 3,592
Buildings and improvements	10,239	9,233
Natural gas and propane storage and distribution equipment	21,242	18,511
Electric generation assets	54,103	52,782
Office furniture and fixtures	1,826	1,872
Gross property, plant and equipment	93,239	85,990
Less accumulated depreciation and amortization	(15,632)	(11,496)
Net property, plant and equipment	\$ 77,607	\$ 74,494

# UGI ENERGY SERVICES, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements (continued)

(Thousands of dollars, except where indicated otherwise)

Depreciation expense was \$4,432 and \$3,437, for the years ended September 30, 2006 and 2005, respectively.

**Intangible Assets.** Intangible assets comprise the following at September 30:

	2006	2005
<b>Subject to amortization:</b>		
Customer relationships, customer contracts and noncompete agreements	\$ 17,587	\$ 17,587
Accumulated amortization	(10,893)	(8,609)
	\$ 6,694	\$ 8,978
<b>Not subject to amortization:</b>		
Goodwill	\$ 11,813	\$ 11,813

We amortize customer relationships, customer contracts and noncompete agreement intangibles over their estimated periods of benefit which do not exceed seven years. Amortization of intangible assets was \$2,284 and \$2,301 for the years ended September 30, 2006 and 2005, respectively. Amortization associated with customer contracts is recorded in cost of sales. Estimated amortization of intangible assets during the next five fiscal years is as follows: Fiscal 2007 - \$2,284; Fiscal 2008 - \$2,173; Fiscal 2009 - \$1,842; Fiscal 2010 - \$395; Fiscal 2011 - \$0.

In accordance with SFAS No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"), an intangible asset is amortized over its useful life unless that life is determined to be indefinite. Goodwill and other intangible assets with indefinite lives are not amortized but are subject to tests for impairment. SFAS 142 requires that we perform an impairment test at least annually or more frequently if events or circumstances indicate that the value of goodwill might be impaired. No provisions for goodwill impairment were recorded during 2006 or 2005.

**Asset Retirement Obligations.** In accordance with SFAS No. 143, "Accounting for Asset Retirement Obligations", we record the fair value of asset retirement obligations in the period in which it has incurred. The liability is accreted to its present value each period and the capitalized cost is depreciated over the estimated useful life of the related asset. At September 30, 2006, we had \$837 in asset retirement obligations principally related to the management of ash and asbestos removal in a way not to harm human health or the environment. Such obligations are associated with the coal-fired generation station. The amount of accretion recorded during the twelve months ended September 30, 2006 was not material.

**Stock-Based Compensation.** Effective October 1, 2005, we adopted SFAS No. 123 (revised 2004), "Share-Based Payment" ("SFAS 123R). Prior to October 1, 2005, as permitted, we applied the provisions of Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25"), in recording compensation expense for grants of equity instruments to employees. The adoption of SFAS 123R did not have a material impact on our financial statements during the twelve months ended September 30, 2006. See Note 4 for further information regarding our employee incentive and retirement plans.

# UGI ENERGY SERVICES, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements (continued)

(Thousands of dollars, except where indicated otherwise)

In addition, employees of Energy Services may be awarded stock options for UGI Common Stock or other equity-based awards under UGI's 2004 Omnibus Equity Compensation Plan ("OECF"). Equity-based compensation costs are included in the costs that Energy Services reimburse monthly, see Note 8. As permitted by SFAS 123R, under the modified prospective approach, effective October 1, 2005, UGI began recording compensation expense for awards that were not vested as of that date and did not restate any prior period.

**Other Assets.** Included in other assets is UGID's equity investment in Energy Ventures at September 30, 2005 of \$8,529.

**Comprehensive Income.** Comprehensive income comprises net income and other comprehensive income (loss). Other comprehensive income (loss) results from gains and losses on natural gas futures and option contracts qualifying as cash flow hedges.

**Recently Issued Accounting Pronouncements.** In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements," ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. The provisions of this standard apply to other accounting pronouncements that require or permit fair value measurements. The provisions of SFAS 157 are effective for our fiscal year beginning October 1, 2008. We are currently evaluating the impact, if any, of the provisions of SFAS 157.

In June 2006, the FASB issued Interpretation No. 48 ("FIN 48"), "Accounting for Uncertainty in Income Taxes," which clarifies the accounting for uncertainty in income taxes recognized in the financial statements in accordance with FASB Statement No. 109, "Accounting for Income Taxes." FIN 48 provides guidance on the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on the recognition, classification, interest and penalties, accounting in interim periods, disclosures, and transition. FIN 48 is effective for our fiscal year beginning October 1, 2007. We are currently evaluating the impact that this standard will have on our Consolidated Financial Statements.

In March 2006, the Financial Accounting Standards Board issued SFAS No. 156, "Accounting for Servicing of Financial Assets - An Amendment of FASB Statement No. 140" ("SFAS 156"). SFAS 156 requires that all separately recognized servicing assets and servicing liabilities be initially measured at fair value, unless it is impracticable to do so. SFAS 156 permits, but does not require, the subsequent measurement of servicing assets and servicing liabilities at fair value. SFAS 156 is effective as of the beginning of our fiscal year ending September 30, 2007. The adoption of SFAS 156 will not have a material impact on our Consolidated Financial Statements.

## **Note 2 - ACQUISITIONS AND INVESTMENTS**

In March 2006, UGID sold its 50% ownership interest in Energy Ventures to Allegheny Energy Supply Hunlock Creek, LLC. Energy Ventures' assets primarily comprised a 44-megawatt gas-fired

# UGI ENERGY SERVICES, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements (continued)

(Thousands of dollars, except where indicated otherwise)

combustion turbine electric generator and a 48-megawatt coal-fired electric generation facility. As part of the consideration in this sale, Energy Ventures transferred the 48-megawatt coal-fired electric generation station to UGID. UGID recorded a net pre-tax gain of \$9,075 (\$5,282 after-tax) associated with this transaction, which is reflected in other income, net in the Consolidated Statement of Income for the twelve months ended September 30, 2006.

In November 2004, UGI Asset Management acquired from ConocoPhillips Company and AmerE Holdings, Inc. (a wholly owned, indirect subsidiary of AmeriGas Propane, L.P. ("AmeriGas"), an affiliate of UGI) in separate transactions 100% of the issued and outstanding common stock of Atlantic Energy, a propane storage terminal located in Chesapeake, Virginia, for an aggregate purchase price of \$23,244 in cash, including post-closing adjustments. In connection with this acquisition, Atlantic Energy, Inc. and AmeriGas entered into a long-term propane supply agreement (see Note 8).

### Note 3 – INCOME TAXES

The provision for income taxes consists of the following:

	2006	2005
Current expense:		
Federal	\$ 8,114	\$ 12,015
State	2,150	3,332
Total current expense	10,264	15,347
Deferred expense (benefit):		
Federal	8,569	797
State	2,760	490
Total deferred expense (benefit)	11,329	1,287
Total income tax expense	\$ 21,593	\$ 16,634

A reconciliation from the statutory federal tax rate to our effective tax rate is as follows:

	2006	2005
Statutory federal tax rate	35.0%	35.0%
Difference in tax rate due to :		
State income taxes, net of federal benefit	6.2	6.2
Other, net	(0.1)	0.8
Effective tax rate	41.0%	42.0%

# UGI ENERGY SERVICES, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements (continued)

(Thousands of dollars, except where indicated otherwise)

Deferred tax liabilities (assets) comprise the following at September 30:

	2006	2005
Financial instruments	\$ 11,530	\$ -
Excess book basis over tax basis of property, plant and equipment	7,817	7,099
Other	-	776
Gross deferred tax liabilities	19,347	7,875
Employee-related benefits	(1,544)	(1,562)
State net operating loss carryforward	(1,151)	(1,324)
Deferred revenue	(1,462)	(1,446)
Bad debt reserve	(2,495)	(1,952)
Accumulated other comprehensive income	(12,775)	(593)
Other	(367)	-
Gross deferred tax assets	(19,794)	(6,877)
Deferred tax assets valuation allowance	1,154	1,324
Net deferred tax liabilities	\$ 707	\$ 2,322

At September 30, 2006 deferred tax assets include \$1,151 of deferred tax assets associated with state operating loss carryforwards expiring through 2026. A valuation allowance of \$1,154 has been provided for all deferred tax assets related to state net operating loss carryforwards and other state deferred tax assets of certain subsidiaries because, on a state reportable basis, it is more likely than not that these assets will be unusable.

### **Note 4 – EMPLOYEE INCENTIVE AND RETIREMENT PLANS**

**Defined Contribution Plan.** UGI sponsors a 401(k) savings plan for eligible employees of Energy Services and subsidiaries. Generally, participants in the plan may contribute a portion of their compensation on a before-tax basis, or on both a before-tax and after-tax basis. The savings plan also provides for discretionary employer matching contributions at various rates. The cost of benefits under the savings plan during the years ended September 30, 2006 and 2005 totaled \$522 and \$613, respectively.

**Phantom Share Appreciation Rights.** The Company has a phantom share appreciation rights ("SAR") plan under which it may grant awards of SARs to key employees. SARs vest ratably over a three-year period from the date of grant and generally can be redeemed after the vesting period, but no later than ten years from the date of grant. Awards of SARs are determined by the Board of Directors or its designate. Effective in 2006, the Company discontinued granting new awards under the SAR plan. As of September 30, 2006, all outstanding awards for SARs are vested. The fair value of SARs is determined annually utilizing an average earnings-based formula. During the years ended September 30, 2006 and 2005, we recorded \$655 and \$530, respectively of compensation expense with respect to

# UGI ENERGY SERVICES, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements (continued)

(Thousands of dollars, except where indicated otherwise)

the SAR plan. There were 29,540 and 35,140 SARs outstanding at September 30, 2006 and 2005, respectively.

### **Note 5 – COMMITMENTS AND CONTINGENCIES**

We lease various buildings and computer and office equipment under operating leases. Certain of our leases contain renewal and purchase options and also contain escalation clauses. Our aggregate rental expense for such leases was \$554 and \$573 during the years ended September 30, 2006 and 2005, respectively.

Minimum future payments under operating leases that have initial or remaining noncancelable terms in excess of one year are as follows: Fiscal 2007 - \$525; Fiscal 2008 - \$391; Fiscal 2009 - \$11.

Energy Services enters into fixed price contracts with suppliers to purchase natural gas to meet its sales commitments. Generally, these contracts have terms of less than two years. Energy Services' contractual obligations under these fixed price supply contracts existing at September 30, 2006 are as follows: Fiscal 2007 - \$548,115; Fiscal 2008 - \$113,155; Fiscal 2009 - \$263.

We believe, after consultation with counsel, that there are currently no pending claims or legal actions that could have a material adverse effect on our financial position or results of operations.

### **Note 6 – FINANCIAL INSTRUMENTS**

In accordance with our natural gas price risk management policy, we use exchange-traded and over-the-counter natural gas futures and option contracts and propane swap and option contracts to manage market risk associated with forecasted purchases of natural gas and propane we sell under firm commitments. These derivative instruments are designated as cash flow hedges. The fair values of these futures contracts are affected by changes in natural gas prices and propane.

During the years ended September 30, 2006 and 2005, there were no material gains or losses recognized in earnings resulting from hedge ineffectiveness or from excluding a portion of a derivative instrument's gain or loss from the assessment of hedge effectiveness. Gains and losses included in accumulated other comprehensive income at September 30, 2006 relating to natural gas futures and option contracts will be reclassified into cost of sales when the forecasted purchase of natural gas subject to the hedges affects net income. Included in accumulated other comprehensive income at September 30, 2006 and 2005 are net after-tax losses of \$1,763 and of \$868 associated with future purchases of natural gas generally anticipated to occur within the next twelve months. The actual amount of gains or losses on unsettled natural gas futures and option contracts that ultimately is reclassified into net income will depend upon the value of such contracts when settled.

The carrying amounts of financial instruments included in current assets and current liabilities (excluding unsettled natural gas futures and option contracts) approximate their fair values because of their short-term nature. Our remaining financial instruments at September 30, 2006 and 2005 comprise unsettled natural gas futures and propane swap and option contracts having a fair value of \$(3,013) and

# UGI ENERGY SERVICES, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements (continued)

(Thousands of dollars, except where indicated otherwise)

\$(1,230), respectively. The fair value of these contracts is included in other current assets, other current liabilities, other assets and other noncurrent liabilities in the Consolidated Balance Sheets.

We have trade accounts receivable which could expose us to concentration of credit risk. The credit risk from trade accounts receivable is limited because we have no single customer that accounts for more than 10% of revenues.

### **Note 7 – ACCOUNTS RECEIVABLE SECURITIZATION FACILITY**

Energy Services has a \$200,000 receivables purchase facility ("Receivables Facility") with an issuer of receivables-backed commercial paper expiring in April 2009, although the Receivables Facility may terminate prior to such date due to the termination of the commitments of the Receivable Facility's back-up purchasers. Prior to September 2006, the maximum level of funding available at any one time from this facility was \$150,000. In order to provide additional short-term liquidity during the peak heating season due to increased energy costs, the maximum level of funding available at any one time from this facility was temporarily increased to \$300,000 for the period from November 1, 2005 to April 24, 2006. Under the Receivables Facility, Energy Services transfers, on an ongoing basis and without recourse, its trade accounts receivable to its wholly owned, special purpose subsidiary, ESFC, which is consolidated for financial statement purposes. ESFC, in turn, has sold, and subject to certain conditions, may from time to time sell, an undivided interest in the receivables to a commercial paper conduit of a major bank. ESFC was created and has been structured to isolate its assets from creditors of Energy Services and its affiliates. This two-step transaction is accounted for as a sale of receivables following the provisions of SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." Energy Services continues to service, administer and collect trade receivables on behalf of the commercial paper issuer and ESFC.

During the years ended September 30, 2006 and 2005, Energy Services sold trade receivables totaling \$1,305,951 and \$1,253,615, respectively, to ESFC. During the years ended September 30, 2006 and 2005, ESFC sold an aggregate \$859,500 and \$475,500, respectively, of undivided interests in its trade receivables to the commercial paper conduit. At September 30, 2006, the outstanding balance of ESFC trade receivables was \$24,123 which is net of \$60,500 that was sold to the commercial paper conduit and removed from the balance sheet. At September 30, 2005, the outstanding balance of ESFC trade receivables was \$77,826 which is net of \$23,500 that was sold to the commercial paper conduit and removed from the balance sheet. Losses on sales of receivables to the commercial paper conduit that occurred during the years ended September 30, 2006 and 2005, which are included in other income, net, were \$3,336 and \$886, respectively. Servicing fees incurred by ESFC in connection with the sale of accounts receivable under the Receivables Facility for both of the years ended September 30, 2006 and 2005 totaled \$150 and are recorded as operating expenses.

In addition, a major bank has committed to issue up to \$50,000 of standby letters of credit, secured by cash or marketable securities ("LC Facility"). Energy Services expects to fund the collateral requirements with borrowings under its Receivables Facility. The LC Facility expires in April 2007.



# UGI ENERGY SERVICES, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements (continued)

(Thousands of dollars, except where indicated otherwise)

### **Note 8 – RELATED PARTY TRANSACTIONS**

Enterprises allocates a portion of its payroll and related benefit costs to Energy Services for employee services provided to the Company. Such allocated expenses totaled \$194 and \$574, respectively during the years ended September 30, 2006 and 2005.

In addition, UGI provides certain financial and administrative services to Energy Services. UGI bills Energy Services monthly for all direct expenses and for an allocated share of indirect corporate expenses incurred or paid on behalf of Energy Services. During the years ended September 30, 2006 and 2005, these amounts totaled \$2,493 and \$2,026, respectively.

Effective December 1, 2004, Energy Services entered into a Storage Contract Administration Agreement ("Storage Agreement") with UGI Utilities. The Storage Agreement was initially scheduled to expire on October 31, 2005, but effective November 1, 2005, Energy Services and UGI Utilities agreed to extend the Storage Agreement through October 31, 2008. Under the Storage Agreement, UGI Utilities released certain gas transportation and storage contracts through October 31, 2008 and transferred associated gas storage inventories to Energy Services. UGI Utilities may recall such released transportation and storage contracts without penalty if recalled to meet operational requirements, and if not recalled, the releases will terminate at the end of the term of the Storage Agreement. In the event that released contracts are recalled or at the expiration of the Storage Agreement, Energy Services is required to transfer associated gas storage inventories to UGI Utilities. In exchange for the ability to utilize these assets, Energy Services pays a monthly fee to UGI Utilities, and Energy Services provides a firm natural gas delivery service to UGI Utilities. In accordance with the bidding process, UGI has provided UGI Utilities with performance security in the amount of \$20,000. During 2006 and 2005, Energy Services sold natural gas storage inventories and charged UGI Utilities associated pipeline transportation and storage capacity charges pursuant to the Storage Agreement totaling \$85,839 and \$80,745, respectively. At September 30, 2006 and 2005, amounts due from UGI Utilities totaled \$12,236 and \$11,713, respectively, and are included in accounts receivable-affiliates on the Consolidated Balance Sheets.

Pursuant to a Gas Supply and Delivery Service Agreement with UGI Utilities, Energy Services provides certain gas supply and related delivery services to UGI Utilities. During 2006 and 2005, the aggregate amount of these transactions (exclusive of Storage Agreement transactions) totaled \$15,114 and \$8,491, respectively.

In addition, from time to time, Energy Services purchases natural gas or pipeline capacity from UGI Utilities. During 2006 and 2005, purchases from UGI Utilities totaled \$14,080 and \$4,249, respectively. At September 30, 2006 and 2005, amounts payable to UGI Utilities totaled \$1,556 and \$927, respectively, and are included in accounts payable - affiliates on the Consolidated Balance Sheets.

UGI Utilities provides accounting and administrative services to UGID and is reimbursed for such costs. Such costs were not material during the years ended September 30, 2006 and 2005.

In November 2004, in conjunction with Energy Services' acquisition of Atlantic Energy, Asset Management and AmeriGas entered into a Product Sales Agreement whereby Asset Management has

## UGI ENERGY SERVICES, INC. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (continued)

(Thousands of dollars, except where indicated otherwise)

agreed to sell and AmeriGas has agreed to purchase a specified amount of propane annually at the Atlantic Energy terminal in Chesapeake, Virginia. The Product Sales Agreement took effect on April 1, 2005 and will continue for an initial term of five years with an option to extend the agreement for up to an additional five years. The price to be paid for product sold under the agreement will be determined annually using a contractual formula that takes into account published index prices and the locational value of deliveries at the Atlantic Energy terminal. Energy Services sold propane to AmeriGas totaling \$37,337 and \$27,811 during 2006 and 2005, respectively.

Energy Services has a financing agreement with UGI under which Energy Services may borrow up to \$10,000. Interest rates on borrowings are based upon one-month LIBOR plus margin (which ranges from 1.00% to 2.50%). The financing agreement may be terminated by either party upon ten days written notification. At September 30, 2006, there were no borrowings outstanding under this agreement. At September 30, 2005, there were borrowings of \$6,500 outstanding under this agreement.

**EXHIBIT C-4**  
**FINANCIAL ARRANGEMENTS**  
**OF UGI ENERGY SERVICES, INC.**

UGI Energy Services, Inc. has in place a receivables purchase facility ("Receivables Facility") with Market Street Funding Corporation, an issuer of receivables-backed commercial paper. Under the Receivables Facility, UGI Energy Services may from time to time, sell an undivided interest in its trade account receivables for up to \$200 million to a commercial paper conduit of a major bank.

**EXHIBIT C-5**  
**FORECASTED FINANCIAL STATEMENTS**  
**OF UGI ENERGY SERVICES, INC**

UGI Energy Services, Inc. is a wholly owned subsidiary of UGI Corporation, and as such does not prepare or maintain forward-looking financial forecasts. As a general matter, in the next two years UGI Energy Services, Inc. expects to achieve moderate growth in both revenue and earnings over its most recent results attached in Exhibit C-3

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**EXHIBIT C-6**  
**CREDIT RATING**  
**OF UGI ENERGY SERVICES, INC**

UGI Energy Services, Inc. is a wholly owned subsidiary of UGI Corporation, and as such does not issue debt instruments in its own name. UGI Energy Services, Inc finances its operations primarily through its credit facility with Market Street Funding Coporation, discussed in Exhibit C-4. From time to time UGI Energy Services, Inc. also relies on inter-company borrowings from its parent, UGI Corporation. UGI Corporation is a holding company, exempt from registration under the Public Utility Holding Company Act of 1935. UGI Corporation relies on its first-tier subsidiary, UGI Utilities, Inc. for all of its debt financings. A copy of the current credit ratings of UGI Utilities, Inc, issued by Moody's is attached.

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Moody's Investors Service

Global Credit Research

Credit Opinion

11 JUL 2008

Credit Opinion: UGI Utilities, Inc.

UGI Utilities, Inc.

Valley Forge, Pennsylvania, United States

#### Summary

Category	Moody's Rating
Outlook	Stable
Senior Secured Shelf	(P)A3
Senior Unsecured	A3

#### Contacts

Analyst	Phone
Mihoko Manabe/New York	212.553.1942
William L. Hess/New York	212.553.3837

#### Details

##### Corporate Profile

UGI Utilities, Inc. (Utilities, A3 senior unsecured) is a rate-regulated natural gas and electric utility serving medium-sized cities and suburban towns in eastern Pennsylvania. The gas utility business accounts for roughly 90% of its total assets and customers. Utilities is a subsidiary of UGI Corporation (UGI, the parent, not rated), a holding company with significant investments in propane retailing and energy services that have a much higher business risk than Utilities. UGI's largest subsidiary is AmeriGas Partners, L.P. (Ba3 Corporate Family Rating), a propane distributor that accounts for about 40% of UGI's operating income. Others are unrated and are unlikely to be investment grade.

##### Recent Results and Company Events

In March 2008, Utilities agreed to acquire the stock of PPL Gas Utilities Corporation (PPL Gas) and Penn Fuel Propane for \$268 million plus working capital. Utilities' ratings were not affected, since the minor size of the transaction (roughly a 15% increase in total assets and customers) and the financing should result in limited impact on its credit metrics.

Similar to PG Energy (now known as UGI Penn Natural Gas), acquired in August 2006 for \$556 million after working capital adjustments, PPL Gas operates in Utilities' adjoining service areas in northeastern and central Pennsylvania and in a familiar and benign regulatory jurisdiction. As with the UGI Penn transaction, incremental leverage will be mitigated by UGI, using its cash balance as capital contributions for about half the required financing. If Utilities eventually resells the small propane business to AmeriGas as contemplated, the proceeds to Utilities would also help to reduce the financing requirement.

##### Rating Rationale

Moody's rating methodology for the North American Gas Distribution Industry results in an A3 rating for Utilities, in line with its actual ratings. Utilities is a moderately sized, low risk, regulated utility company located in a state with a benign regulatory environment. The company's profitability and returns have historically been stronger than its A3 ratings according to the rating methodology, but the acquisitions of the less profitable UGI Penn and PPL Gas are expected to moderate its credit metrics toward its current ratings. Moody's does not generally characterize Utilities as transaction-driven, but the company will have two significant acquisitions in two years from special opportunities to buy neighboring gas utilities in a familiar regulatory jurisdiction. UGI has long been a financially conservative, supportive parent.

##### Rating Drivers

Financial Strength:

Utilities' fiscal year (FY) ended September 30, 2006 and 2007 were transition years. UGI Penn was acquired and financed at the end of FY 2006, and the first quarter (1Q) ended December 2007 included only one month of UGI Penn's rate increase. 2Q March 2007 was the first full quarter, and last twelve months (LTM) ended March 2008 was the first annualized period that fully includes UGI Penn and its new rates. The transition period will extend into another year, if PPL Gas is acquired around FYE 2008 as planned.

Utilities' legacy assets have historically had strong credit metrics that have mapped it to higher than its A3 rating. Its financial performance reflects an organic customer growth rate above industry averages (3% annually versus 1%), efficient operations, and incremental margins from off-system sales, interruptible delivery service, and electric services. These factors have allowed the company to mitigate the negative effects of weather, lower volumes, and bad debt expenses.

Utilities' larger operations have been strong enough to absorb the much smaller and less profitable UGI Penn with only a minor dilution in its credit metrics. In FY 2004-2005 before the UGI Penn acquisition, Utilities' EBIT/interest was 4.8 times (mapping to A according to Moody's methodology), funds flow from operations (FFO)/debt was well in the 20% range. These ratios reflect Moody's standard adjustments. In the LTM March 2008, including UGI Penn for the full year, these metrics were 4.1 times and 22%, respectively, (mapping little changed). Retained cash flow/debt was also in line with pre-acquisition levels at 13% (mapping to Baa). PPL Gas is an even smaller acquisition, so that Utilities should still have sufficient room within its A3 rating to absorb that as well.

#### Regulatory Support:

Utilities maps to Baa under this factor. The regulatory environment in Pennsylvania has been benign to Utilities. However, Utilities does not have weather normalization adjustments in its rate design, and its earnings are sensitive to weather. More progressive rate designs dealing with customer conservation and bad debt expense have not been adopted in the state.

#### Parent / Sponsor Impact:

UGI is a conservative parent company, with a longstanding practice of having high cash balances that can be provided to its subsidiaries as needed for additional liquidity and long-term investments. As a case in point, UGI provided \$285 million of equity to Utilities to help finance the UGI Penn acquisition and is expected to make a similar contribution to finance the PPL Gas acquisition.

UGI imposes a measure of ring-fencing among its major holdings, by having each be self-financing. Consequently, Utilities maps to A under the ring-fencing factor in the rating methodology. Utilities and AmeriGas are each a SEC registrant and file financial statements separate from UGI. UGI does not have a money pool arrangement that would cause Utilities' cash to be swept up to the parent and commingled with its non-regulated affiliates'.

#### Liquidity Profile

Utilities is expected to have adequate liquidity in the near term. In the LTM ended March 2008, the company generated funds flow from operations in the \$140 million range, incurred capital expenditures of about \$70 million, and paid about \$60 million in dividends to its parent. Utilities' working capital changes (roughly a \$20 million source of cash in the LTM March 2008) are seasonal and fluctuate with gas prices.

The company has a \$350 million committed credit facility terminating in August 2011, which is expected to be sufficient for its foreseeable near-term liquidity needs. The credit agreement does not require a general MAC after closing, which improves its value as liquidity insurance. Its sole financial covenant is a 65% maximum debt/capital ratio. Utilities' covenant calculation was comfortably under that limit at 56% at the December 31, 2007 seasonal high. Utilities has no long-term debt maturities scheduled until 2012 when \$40 million of its notes mature.

#### Rating Outlook

Stable, given the stability of the business, good operations, sound financial position. The ratings factor in EBIT/interest of at least the mid 3 times range, retained cash flow/debt ratios around 10%.

#### What Could Change the Rating - Up

Unlikely, given the expectation that Utilities' credit metrics will be somewhat weakened by the PPL Gas acquisition. If EBIT/interest is sustained above 5 times and retained cash flow/debt, in the mid- to upper teens, with no acquisitions.

#### What Could Change the Rating - Down

Unlikely outside of an unforeseen event. A downgrade would be considered if EBIT/interest falls below 2 times and retained cash flow/debt, below 10%.

# Rating Factors

UGI Utilities, Inc.

Local Cap Distribution	AAA	AA	A	BBB	BB	B	CCC
<b>Factor 1: Sustainable Profitability (20%)</b>							
a) Return on Equity (15%)			X				
b) Ebit / # of Residential & Commercial Customers (5%)		X					
<b>Factor 2: Regulatory Support (10%)</b>							
a) Regulatory Support and Relationship			X				
<b>Factor 3: Ring Fencing (10%)</b>							
a) Ring Fencing Quality				X			
<b>Factor 4: Financial Strength and Flexibility (60%)</b>							
a) EBIT / Interest (15%)			X				
b) RCF / Debt (15%)				X			
c) Debt / Book Capitalization (excluding goodwill) (15%)				X			
d) FCF / FFO (15%)			X				
<b>Rating:</b>							
a) Methodology Model Implied Senior Unsecured Rating			A3				
b) Actual Senior Unsecured Equivalent Rating			A3				

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MOODY'S hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MOODY'S have, prior to assignment of any rating, agreed to pay to MOODY'S for appraisal and rating services rendered by it fees ranging from \$1,500 to approximately \$2,400,000. Moody's Corporation (MCO) and its wholly-owned credit rating agency subsidiary, Moody's Investors Service (MIS), also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually on Moody's website at [www.moody's.com](http://www.moody's.com) under the heading "Shareholder Relations - Corporate Governance - Director and Shareholder Affiliation Policy."



<HELP> for explanation.  
Enter # <GO> for historical ratings.

EquityCRPR

Related Functions	Company Tree Ratings	Alert	CREDIT PROFILE
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UGI Utilities Inc

Page 1/1

Select 'Company Tree Ratings' above for related companies

MOODY'S

- |                          |        |
|--------------------------|--------|
| 1) Outlook               | STABLE |
| 2) Senior Secured Debt   | WR     |
| 3) Senior Unsecured Debt | A3     |
| 4) Preferred Stock       | WR     |

STANDARD & POOR'S

- |                             |    |
|-----------------------------|----|
| 5) LT Foreign Issuer Credit | NR |
| 6) LT Local Issuer Credit   | NR |

FITCH

- |                             |        |
|-----------------------------|--------|
| 7) Outlook                  | STABLE |
| 8) LT Issuer Default Rating | A-     |
| 9) Senior Unsecured Debt    | A      |

**EXHIBIT C-7  
CREDIT REPORT  
OF UGI ENERGY SERVICES, INC.**

A copy of UGI Energy Services Inc.'s Credit Report, issued by Dun & Bradstreet, is attached.

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ATTN: CHAY WOOD  
Report Prepared: 09/09/2008

## Live Report : U G I ENERGY SERVICES, INC.

D-U-N-S® Number: 88-350-4581

Trade Names: (SUBSIDIARY OF UGI ENTERPRISES, INC., VALLEY FORGE, PA) - UGI - U G I - GASMARK

Endorsement/Billing Reference: chaywood@gasmark.com

### D&B Address

Address	1 Meridian Blvd Ste 2c01 Reading, PA - 19610	Location Type	Headquarters (Subsidiary)
Phone	610 373-7999	Web	www.gasmarkonline.com
Fax	610-374-4288		

## Company Summary

### Score Bar

PAYDEX®	78
Commercial Credit Score Class	2
Financial Stress Class	1
Credit Limit - D&B Conservative	\$35,000.00
D&B Rating	-

### D&B 12-month PAYDEX®

**12-month D&B PAYDEX®: 78**

(Lowest Risk:100; Highest Risk:1)

When weighted by dollar amount, Payments to suppliers average 3 days beyond terms

### D&B 3-month PAYDEX®

**3-month D&B PAYDEX®: 78**

(Lowest Risk:100; Highest Risk:1)

When weighted by dollar amount, Payments to suppliers average 3 Days Beyond Terms

### Public Filings

The following data includes both open and closed filings found in D&B's database on this company.

Record Type	Number of Records	Most Recent Filing Date
Bankruptcies	0	-
Judgments	0	-
Liens	1	09/23/05
Suits	0	-
UCC's	3	07/26/06

The public record items contained herein may have been paid, terminated, vacated or released prior to today's date.

### D&B Company Overview

This is a headquarters (subsidiary) location

Branch(es) or Division(s) exist Y

Mailing Address PO BOX 12876  
READING, PA 19612

Chief Executive BRADLEY HALL,  
PRES

Year Started 1995

Employees 48 (33 Here)

SIC 4924

Line of business Natural gas  
distribution

NAICS 221210

History Status CLEAR

### Financial Stress Score Class

**Financial Stress Score Class: 1**

(Lowest Risk:1; Highest Risk:5)

Low risk of severe financial stress over the next 12 months.

**Commercial Credit Score Class****Commercial Credit Score Class: 2**

(Lowest Risk:1; Highest Risk:5)

Low To Moderate risk of severe payment delinquency over next 12 months.

**Corporate Linkage****Domestic Ultimate**

Company	City , State	D-U-N-S® NUMBER
UGI CORPORATION	KING OF PRUSSIA , Pennsylvania	00-791-5069

**Parent**

Company	City , State	D-U-N-S® NUMBER
UGI ENTERPRISES, INC.	VALLEY FORGE , Pennsylvania	88-336-7518

**Branches (Domestic)**

Company	City , State	D-U-N-S® NUMBER
UGI ENERGY SERVICES, INC.	PITTSBURGH , Pennsylvania	01-370-7513
UGI ENERGY SERVICES, INC.	LITITZ , Pennsylvania	05-877-8395
UGI ENERGY SERVICES, INC.	WILKES BARRE , Pennsylvania	09-625-6046
UGI ENERGY SERVICES, INC.	YORK , Pennsylvania	11-348-1993
UGI ENERGY SERVICES, INC.	TRENTON , New Jersey	13-785-8622
UGI ENERGY SERVICES, INC.	BALTIMORE , Maryland	15-284-9936
UGI ENERGY SERVICES, INC.	CLEVELAND , Ohio	15-285-0116
UGI ENERGY SERVICES, INC.	COLUMBUS , Ohio	15-285-0413
UGI ENERGY SERVICES, INC.	ROCHESTER , New York	15-285-0785
UGI ENERGY SERVICES, INC.	DURHAM , North Carolina	15-285-1221
UGI ENERGY SERVICES, INC.	CLIFTON PARK , New York	95-988-8409

**Affiliates (Domestic)**

Company	City , State	D-U-N-S® NUMBER
UGI HVAC ENTERPRISES INC	READING , Pennsylvania	00-725-5552
MC HUGH SERVICE CO INC	COLMAR , Pennsylvania	62-305-3881

**Affiliates (International)**

Company	City , Country	D-U-N-S® NUMBER
---------	----------------	-----------------

AGZ HOLDING

COURBEVOIE, FRANCE

63-389-9000

## Predictive Scores

### Credit Capacity Summary

This credit rating was assigned because of D&B's assessment of the company's financial ratios and its cash flow. For more information, see the "D&B Rating Key".

#### D&B Rating : —

The blank rating symbol should not be interpreted as indicating that credit should be denied. It simply means that the information available to D&B does not permit us to classify the company within our rating key and that further enquiry should be made before reaching a decision. Some reasons for using a "-" symbol include: deficit net worth, bankruptcy proceedings, insufficient payment information, or incomplete history information.

Below is an overview of the company's rating history since 05-26-1995

D&B Rating	Date Applied
—	05-11-2005
1R3	07-29-2004
1R4	07-15-2004
3A4	01-21-2004
—	05-26-1995

Number of Employees  
Total: 48 (33 here)

Payment Activity: (based on 102 experiences)

Average High Credit: \$13,451  
Highest Credit: \$200,000  
Total Highest Credit: \$1,205,700

### D&B Credit Limit Recommendation

Conservative credit Limit: \$35,000  
Aggressive credit Limit: \$70,000

Risk category for this business : LOW

This recommended Credit Limit is based on the company profile and on profiles of other companies with similarities in size, industry, and credit usage. Risk is assessed using D&B's scoring methodology and is one factor used to create the recommended limits. See Help for details.

### Financial Stress Class Summary

The Financial Stress Class Summary Model predicts the likelihood of a firm ceasing business without paying all creditors in full, or reorganization or obtaining relief from creditors under state/federal law over the next 12 months. Scores were calculated using a statistically valid model derived from D&B's extensive data files.

The Financial Stress Class of 1 for this company shows that firms with this classification had a failure rate of 1.2% (120 per 10,000), which is lower than the average of businesses in D & B's database

#### Financial Stress Class : 1

(Lowest Risk:1; Highest Risk:5)

Low risk of severe financial stress, such as bankruptcy, over the next 12 months.

#### Incidence of Financial Stress:

- Among Businesses with this Classification: **1.20 %** (120 per 10000)
- Average of Businesses in D&B's database: **2.60 %** (260 per 10000)
- Financial Stress National Percentile : **81** (Highest Risk: 1; Lowest Risk: 100)
- Financial Stress Score : **1435** (Highest Risk: 1001; Lowest Risk: 1875)

The Financial Stress Class of this business is based on the following factors:

- 5% of trade dollars indicate slow payment(s) are present.
- Control age or date entered in D & B files indicates higher risk.

**Notes:**

- The Financial Stress Class indicates that this firm shares some of the same business and financial characteristics of other companies with this classification. It does not mean the firm will necessarily experience financial stress.
- The Incidence of Financial Stress shows the percentage of firms in a given Class that discontinued operations over the past year with loss to creditors. The Incidence of Financial Stress - National Average represents the national failure rate and is provided for comparative purposes.
- The Financial Stress National Percentile reflects the relative ranking of a company among all scorable companies in D&B's file.
- The Financial Stress Score offers a more precise measure of the level of risk than the Class and Percentile. It is especially helpful to customers using a scorecard approach to determining overall business performance.
- All Financial Stress Class, Percentile, Score and Incidence statistics are based on sample data from 2004

Norms	National %
This Business	81
Region: MIDDLE ATLANTIC	50
Industry: INFRASTRUCTURE	49
Employee range: 20-99	80
Years in Business: 11-25	52

This Business has a Financial Stress Percentile that shows:

- Lower risk than other companies in the same region.
- Lower risk than other companies in the same industry.
- Lower risk than other companies in the same employee size range.
- Lower risk than other companies with a comparable number of years in business.

**Credit Score Class Summary**

The Credit Score class predicts the likelihood of a firm paying in a severely delinquent manner (90+ Days Past Terms) over the next twelve months. It was calculated using statistically valid models and the most recent payment information in D&B's files. The Credit Score class of 2 for this company shows that 4.6% of firms with this classification paid one or more bills severely delinquent, which is lower than the average of businesses in D & B's database.

**Credit Score Class : 2**

(Lowest Risk:1; Highest Risk:6)

Moderate risk of severe payment delinquency over next 12 months.  
Incidence of Delinquent Payment

- Among Companies with this Classification: **4.60 %**
- Average compared to businesses in D&B's database: **20.10 %**
- Credit Score Percentile : **87** (Highest Risk: 1; Lowest Risk: 100)
- Credit Score : **530** (Highest Risk: 101; Lowest Risk:670)

The Credit Score Class of this business is based on the following factors:

- There are no credit score comments for this case

**Notes:**

- The Credit Score Class indicates that this firm shares some of the same business and payment characteristics of other companies with this classification. It does not mean the firm will necessarily experience delinquency.
- The Incidence of Delinquent Payment is the percentage of companies with this classification that were reported 90 days past due or more by creditors. The calculation of this value is based on an inquiry weighted sample.
- The Percentile ranks this firm relative to other businesses. For example, a firm in the 80th percentile has a lower risk of paying in a severely delinquent manner than 79% of all scorable companies in D&B's files.
- The Credit Score offers a more precise measure of the level of risk than the Class and Percentile. It is especially helpful to customers using a scorecard approach to determining overall business performance.
- All Credit Class, Percentile, Score and Incidence statistics are based on sample data from 2004

Norms	National %
This Business	87
Region: MIDDLE ATLANTIC	47
Industry: INFRASTRUCTURE	42

Employee range: 20-99 69  
 Years in Business: 11-25 64

This business has a Credit Score Percentile that shows:

- Lower risk than other companies in the same region.
- Lower risk than other companies in the same industry.
- Lower risk than other companies in the same employee size range.
- Lower risk than other companies with a comparable number of years in business.

## Trade Payments

### D&B PAYDEX®

The D&B PAYDEX is a unique, dollar weighted indicator of payment performance based on payment experiences as reported to D&B by trader references. Learn more about the D&B PAYDEX Score

Timeliness of historical payments for this company.

Current PAYDEX is 78 Equal to 3 days beyond terms ( Pays more promptly then the average for its industry of 5 days beyond terms )  
 Industry Median is 77 Equal to 5 days beyond terms  
 Payment Trend currently is ↔ Unchanged, compared to payments three months ago

Indications of slowness can be the result of dispute over merchandise, skipped invoices etc. Accounts are sometimes placed for collection even though the existence or amount of the debt is disputed.

Total payment Experiences in D&Bs File	102
Payments Within Terms (not dollar weighted)	87 %
Trade Experiences with Slow or Negative Payments(%)	13.73%
Total Placed For Collection	0
Average High Credit	\$13,451
Largest High Credit	\$200,000
Highest Now Owling	\$200,000
Highest Past Due	\$5,000

### 12-Month D&B PAYDEX® : 78

(Lowest Risk:100; Highest Risk:1)

Based on payments collected over last 12 months.

When weighted by dollar amount, payments to suppliers average 3 days beyond terms

### 3-Month D&B PAYDEX® : 78

(Lowest Risk:100; Highest Risk:1)

Based on payments collected over last 3 months.

When weighted by dollar amount, payments to suppliers average 3 days beyond terms

### D&B PAYDEX® Comparison

Current Year

PAYDEX® of this Business compared to the Primary Industry from each of the last four quarters. The Primary Industry is Natural gas distribution , based on SIC code 4924 .

Shows the trend in D&B PAYDEX scoring over the past 12 months.

	11/07	12/07	1/08	2/08	3/08	4/08	5/08	6/08	7/08	8/08	9/08	10/08
<b>This Business</b>	78	78	78	78	78	78	78	78	78	78	78	78
<b>Industry Quartiles</b>												
Upper		80			80			80			80	
Median		77			77			77			77	
Lower		71			71			71			70	

- Current PAYDEX for this Business is 78 , or equal to 3 days beyond terms
- The 12-month high is 78 , or equal to 3 DAYS BEYOND terms
- The 12-month low is 78 , or equal to 3 DAYS BEYOND terms

#### Previous Year

Shows PAYDEX of this Business compared to the Primary Industry from each of the last four quarters. The Primary Industry is Natural gas distribution , based on SIC code 4924 .

Previous Year	12/06 Q4'06	03/07 Q1'07	06/07 Q2'07	09/07 Q3'07
<b>This Business</b>	79	79	79	78
<b>Industry Quartiles</b>				
Upper	80	80	80	80
Median	77	77	77	77
Lower	70	70	70	71

Based on payments collected over the last 4 quarters.

- Current PAYDEX for this Business is 78 , or equal to 3 days beyond terms
- The present industry median Score is 77 , or equal to 5 days beyond terms
- Industry upper quartile represents the performance of the payers in the 75th percentile
- Industry lower quartile represents the performance of the payers in the 25th percentile

#### Payment Habits

For all payment experiences within a given amount of credit extended, shows the percent that this Business paid within terms. Provides number of experiences to calculate the percentage, and the total credit value of the credit extended.

\$ Credit Extended	# Payment Experiences	\$ Total Dollar Amount	% of Payments Within Terms
Over 100,000	4	\$800,000	100%
50,000-100,000	0	\$0	0%
15,000-49,999	12	\$285,000	84%
5,000-14,999	10	\$77,500	91%
1,000-4,999	13	\$20,500	79%
Under 1,000	50	\$14,200	87%

Based on payments collected over last 12 months.

For all Payment experiences reflect how bills are met in relation to the terms granted. In some instances, payment beyond terms can be the result of disputes over merchandise, skipped invoices etc.

#### Payment Summary

- There are 102 payment experience(s) in D&Bs file for the most recent 12 months, with 81 experience(s) reported during the last three month period.
- The highest Now Owes on file is \$200,000 . The highest Past Due on file is \$5,000

Below is an overview of the company's dollar-weighted payments, segmented by its suppliers' primary industries:



	Total Rev'd (#)	Total Dollar Amts (\$)	Largest High Credit (\$)	Within Terms (%)	Days Slow <31 31-60 61-90 90+ (%)			
Top Industries								
Nonclassified	9	45,700	25,000	100	0	0	0	0
Telephone communictns	9	5,350	2,500	100	0	0	0	0
Short-trm busn credit	6	37,750	35,000	98	1	1	0	0
Natural gas distrib	5	48,500	25,000	97	3	0	0	0
Misc equipment rental	5	15,850	15,000	96	3	0	1	0
Electric services	5	10,250	10,000	99	0	0	0	1
Public finance	5	13,500	7,500	100	0	0	0	0
Computer maintenance	5	1,350	500	100	0	0	0	0
Radiotelephone commun	4	1,050	1,000	100	0	0	0	0
Petroleum refining	3	600,000	200,000	100	0	0	0	0
Whol electrical equip	3	3,750	2,500	100	0	0	0	0
Misc publishing	3	1,000	1,000	100	0	0	0	0
Misc business credit	3	700	500	100	0	0	0	0
Mfg computers	2	240,000	200,000	100	0	0	0	0
Misc business service	2	30,000	30,000	50	50	0	0	0
Whol industrial suppl	2	15,050	15,000	0	50	50	0	0
Mfg comrol light fixt	2	15,000	10,000	83	0	17	0	0
Mfg scales/balances	2	1,250	1,000	100	0	0	0	0
Executive office	2	800	750	100	0	0	0	0
Aluminum roll/drawing	1	25,000	25,000	100	0	0	0	0
Ret-direct selling	1	25,000	25,000	100	0	0	0	0
Railroad	1	15,000	15,000	100	0	0	0	0
Mfg valve/pipe fitting	1	15,000	15,000	0	100	0	0	0
Mfg process controls	1	10,000	10,000	50	50	0	0	0
Whol const/mine equip	1	7,500	7,500	100	0	0	0	0
Mfg misc elect. equip	1	5,000	5,000	100	0	0	0	0
Mfg relays/controls	1	2,500	2,500	0	100	0	0	0
Gas production/distrib	1	1,000	1,000	100	0	0	0	0
Mfg cleaning products	1	1,000	1,000	50	50	0	0	0
Mfg refrig/heat equip	1	750	750	100	0	0	0	0
Mfg fluid meters	1	750	750	100	0	0	0	0
Help supply service	1	750	750	100	0	0	0	0
Mfg industrial gases	1	500	500	50	0	50	0	0
Trucking non-local	1	250	250	0	0	0	0	100
Mfg paint/allied prdt	1	100	100	100	0	0	0	0
Ret mail-order house	1	100	100	100	0	0	0	0
Whol lumber/millwork	1	50	50	100	0	0	0	0
Reg misc coml sector	1	50	50	100	0	0	0	0
Personal credit	1	50	50	100	0	0	0	0
Photocopying service	1	0	0	0	0	0	0	0
Other payment categories								
Cash experiences	1	250	250					
Payment record unknown	3	7,500	2,500					
Unfavorable comments	1	750	750					
Placed for collections:								
With D&B	0	0	0					
Other	0	N/A	0					
Total in D&Bs file	102	1,205,700	200,000					

Accounts are sometimes placed for collection even though the existence or amount of the debt is disputed.

Indications of slowness can be result of dispute over merchandise, skipper invoices etc.

### Payment Details

Date Reported (mm/yy)	Paying Record	High Credit (\$)	Now Owes (\$)	Past Due (\$)	Selling Terms	Last Sale Within (month)
09/08	Ppt	200,000	40,000	0		1 mo
	Ppt	40,000	7,500	0		1 mo
	Ppt	25,000	25,000	0		1 mo
	Ppt	25,000	2,500	0	N30	1 mo
	Ppt	25,000	2,500	0	N30	1 mo
	Ppt	20,000	0	0	N30	2-3 mos
	Ppt	10,000	0	0		4-5 mos
	Ppt	10,000	500	0		
	Ppt	7,500	0	0	N30	6-12 mos
	Ppt	1,000	1,000	0		1 mo
	Ppt	750	0	0	N10	6-12 mos
	Ppt	750	250	0		1 mo
	Ppt	250	250	0		1 mo
	Ppt	50	50	0		
	Ppt	50	50	0		
	Ppt	50	50	0		
	Ppt-Slow 30		250	0		1 mo
	Ppt-Slow 30		100	0		1 mo
	Ppt-Slow 30	30,000	7,500	0		1 mo
	Ppt-Slow 30	1,000	100	0	N30	1 mo
	Ppt-Slow 30	500	500	0		1 mo
	Slow 30		250	0		1 mo
	Slow 30-90		250	100		1 mo
08/08	Ppt	200,000	100,000	0		1 mo
	Ppt	10,000	0	0		4-5 mos
	Ppt	7,500	7,500	0		1 mo
	Ppt	5,000	0	0		2-3 mos
	Ppt	2,500	1,000	0	N30	1 mo
	Ppt	2,500	1,000	0		1 mo
	Ppt	1,000	0	0		1 mo
	Ppt	750	0	0		6-12 mos
	Ppt	750	250	0	N30	1 mo
	Ppt	500	100	0		1 mo
	Ppt	500	50	0		1 mo
	Ppt	250	250	0		1 mo
	Ppt	250	250	0		1 mo
	Ppt	250	250	0		1 mo
	Ppt	250	50	0		1 mo
	Ppt	250	0	0		6-12 mos
	Ppt	100	50	0		1 mo
	Ppt	100	100	0	N30	1 mo
	Ppt	100	100	0	N30	1 mo
	Ppt	50	0	0		4-5 mos
	Ppt	50	0	0		6-12 mos

	Ppt	50	0	0	2-3 mos
	Ppt	50	50	0	1 mo
	Ppt-Slow 30	10,000	0	0	2-3 mos
	Ppt-Slow 60	5,000	1,000	0	1 mo
	Ppt-Slow 60	500	250	0	1 mo
	Ppt-Slow 60	500	0	0	2-3 mos
	Slow 30	2,500	250	0	1 mo
	Slow 30-60	15,000	7,500	5,000	1 mo
07/08	Ppt	15,000	0	0	6-12 mos
	Ppt	250	0	0	6-12 mos
	Ppt	100	0	0	6-12 mos
	(056) Bad debt .	750	750	750	
	(057) Cash own option .	250			1 mo
06/08	Ppt	1,000	1,000	0	1 mo
	Ppt	750	50	0	1 mo
	Ppt	0	0		4-5 mos
05/08	Ppt	1,000	100	0	
	Ppt	500	500	0	1 mo
	Ppt	250	250	0	1 mo
	Ppt	250	250	0	1 mo
	Ppt	100	100	0	1 mo
	Ppt	0	0	0	1 mo
	Ppt	0	0	0	1 mo
04/08	Ppt	5,000			1 mo
	Ppt	1,000	750	0	1 mo
	Ppt	1,000			1 mo
	Ppt	250	0	0	6-12 mos
03/08	Ppt	0	0		1 mo
	Ppt	0	0		1 mo
	Slow 180+	250	0	0	6-12 mos
02/08	Ppt	100	0	0	N30 6-12 mos
01/08	Ppt	200,000	100,000	0	1 mo
	Ppt	50	50	0	1 mo
12/07	Ppt	2,500	0	0	6-12 mos
11/07	Ppt	1,000	0	0	N30 1 mo
08/07	Slow 30	15,000	0	0	6-12 mos

Payments Detail Key: 30 or more days beyond terms

Payment experiences reflect how bills are met in relation to the terms granted. In some instances payment beyond terms can be the result of disputes over merchandise, skipped invoices etc. Each experience shown is from a separate supplier. Updated trade experiences replace those previously reported.

## Public Filings

### Summary

The following data includes both open and closed filings found in D&B's database on this company.

Record Type	# of Records	Most Recent Filing Date
Bankruptcy Proceedings	0	-
Judgments	0	-
Liens	1	09/23/05
Suits	0	-
UCCs	3	07/26/06

The following Public Filing data is for information purposes only and is not the official record. Certified copies can only be obtained from the official source.

## Liens

A lien holder can file the same lien in more than one filing location. The appearance of multiple liens filed by the same lien holder against a debtor may be indicative of such an occurrence.

Amount	\$622
Status	Open
DOCKET/WARRANT	X0533255
Type	State Tax
Filed By	NYS TAX COMMISSION
Against	UGI ENERGY SERVICES INC
Where Filed	ALBANY COUNTY SUPREME COURT, ALBANY, NY
Date Status Attained	09/23/05
Date Filed	09/23/05
Latest Info Received	10/14/05

## UCC Filings

Collateral	Account(s) including proceeds and products
Type	Original
Sec. Party	MARKET STREET FUNDING CORPORATION, CHARLOTTE, NC
Debtor	UGI ENERGY SERVICES
Filing No.	34851231
Filed With	SECRETARY OF STATE/UCC DIVISION, HARRISBURG, PA
Date Filed	2001-12-04
Latest Info Received	01/23/02

Type	Continuation
Sec. Party	MARKET STREET FUNDING CORPORATION, CHARLOTTE, NC
Debtor	UGI ENERGY SERVICES INC and OTHERS
Filing No.	2006072603224
Filed With	SECRETARY OF STATE/UCC DIVISION, HARRISBURG, PA
Date Filed	2006-07-26
Latest Info Received	08/15/06
Original UCC Filed Date	2001-12-04
Original Filing No.	34851231

Type	Amendment
Sec. Party	MARKET STREET FUNDING CORPORATION, CHARLOTTE, NC
Debtor	UGI ENERGY SERVICES INC and OTHERS
Filing No.	2006072601369
Filed With	SECRETARY OF STATE/UCC DIVISION, HARRISBURG, PA
Date Filed	2006-07-26
Latest Info Received	10/30/06
Original UCC Filed Date	2001-12-04
Original Filing No.	34851231

The public record items contained herein may have been paid, terminated, vacated or released prior to today's date.

## Government Activity

### Activity summary

Borrower (Dir/Guar)	NO
Administrative Debt	YES
Contractor	YES
Grantee	NO
Party excluded from federal program(s)	NO

#### Possible candidate for socio-economic program consideration

Labour Surplus Area	YES (2008)
Small Business	N/A
8(A) firm	N/A

The details provided in the Government Activity section are as reported to Dun & Bradstreet by the federal government and other sources.

## History and Operations

### Company Overview

Company Name:	UGI ENERGY SERVICES, INC.
Doing Business As :	(SUBSIDIARY OF UGI ENTERPRISES, INC., VALLEY FORGE, PA), UGI, UGI, GASMARK
Street Address:	1 Meridian Blvd Ste 2c01 Reading, 19610
Mailing Address:	PO Box 12676 Reading PA 19612
Phone:	610 373-7999
Fax:	610-374-4288
URL:	<a href="http://www.gasmarkonline.com">http://www.gasmarkonline.com</a>
History	Is clear
Present management control	13 years

### History

The following information was reported: 04/16/2008

Officer(s):	BRADLEY HALL, PRES CARL H MYERS, V PRES-GEN MGR BRENDAN P BOVAIRD, V PRES-GEN COUNSEL ROBERT M MEDER, V PRES-SUPPLY SAMUEL R MAURIELLO, ASST TREAS ROBERT W KRICK, TREAS
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**DIRECTOR(S) :** THE OFFICER(S) and Bradley C Hall, Anthony Mendicino and Lon R Greenberg.

Business started 1995 by the parent company. 100% of capital stock is owned by the parent company.

BRADLEY HALL. 1982-present active here and with the parent company and the affiliates.

CARL H MYERS. 1968-present active here, with the parent company and the affiliates.

BRENDAN P BOVAIRD. 1983-present active here, with the parent company and the affiliates.

ROBERT M MEDER. 1995-present active here, with the parent company and the affiliates.

SAMUEL R MAURIELLO. Antecedents are undetermined.

**ROBERT W KRICK. OCCUPATIONAL BACKGROUND :**  
Not active here.

## Business Registration

CORPORATE AND BUSINESS REGISTRATIONS REPORTED BY THE SECRETARY OF STATE OR OTHER OFFICIAL SOURCE AS OF

Sep 26 2008

The following data is for informational purposes only and is not an official record. Certified copies may be obtained from the Pennsylvania Department of State.

**Registered Name:** UGI ENERGY SERVICES, INC.  
**Business type:** CORPORATION  
**Corporation type:** NOT AVAILABLE  
**Date incorporated:** Mar 17 1995  
**State of incorporation:** PENNSYLVANIA  
**Filing date:** Mar 17 1995  
**Registration ID:** 2627451  
**Duration:** PERPETUAL  
**Status:** ACTIVE  
**Where filed:** SECRETARY OF STATE/CORPORATIONS DIVISION, HARRISBURG, PA  
 BRADLEY C HALL PRESIDENT 1 MERIDIAN BLVD STE 2C  
 WYOMISSING PA 196100600  
 MARGARET M CALABRESE SECRETARY 1 MERIDIAN BLVD STE 2C  
 WYOMISSING PA 196100600  
**Principals:** ROBERT W KRICK TREASURER 1 MERIDIAN BLVD STE 2C  
 WYOMISSING PA 196100600  
 ROBERT H KNAUSS VICE PRESIDENT 1 MERIDIAN BLVD STE 2C  
 WYOMISSING PA 196100600

## Operations

04/16/2008

Subsidiary of UGI ENTERPRISES, INC., VALLEY FORGE, PA started 1994 which operates as a developer of new business opportunities in growing energy markets. Parent company owns 100% of capital stock.

As noted, this company is a wholly-owned subsidiary of UGI Enterprises Inc, DUNS #88-336-7518, and reference is made to that report for background information on the parent company and its management. UGI Enterprises is in turn a wholly owned subsidiary of UGI Corporation, Valley Forge, PA, started 1991. DUNS #00-791-5069. Operates as a distributor of natural gas, electric utility and retailer and wholesaler of propane.

### Description:

Provides natural gas distribution (100%).

Terms vary by client. Sells to commercial and industrial concerns. Territory : Maryland, Virginia, Pennsylvania and New Jersey.

Nonseasonal.

**Employees:** 48 which includes officer(s). 33 employed here.

**Facilities:** Leases 4,533 sq. ft. on 3rd floor of a three story brick building.

**Branches:** This business has multiple branches, detailed branch/division information is available in Dun & Bradstreets linkage or family tree products.

## SIC & NAICS

### SIC:

Based on information in our file, D&B has assigned this company an extended 8-digit SIC. D&B's use of 8-digit SICs enables us to be more specific about a company's operations than if we use the standard 4-digit code.

The 4-digit SIC numbers link to the description on the Occupational Safety & Health Administration (OSHA) Web site. Links open in a new browser window.

4924 0000 Natural gas distribution

### NAICS:

221210 Natural Gas Distribution

## Financial Statements

### Company Financial: D&B

D&B currently has no financial information on file for this company.  
You can ask D&B to make a personalized request to this company on your behalf to obtain its latest financial information by clicking the Request Financial Statements button below.

### Additional Financial Data

On SEP 14 2007 Andrew Koehler, Controller, deferred all information.

### Key Business Ratios

D & B has been unable to obtain sufficient financial information from this company to calculate business ratios. Our check of additional outside sources also found no information available on its financial performance.

To help you in this instance, ratios for other firms in the same industry are provided below to support your analysis of this business.

Based on this Number of Establishments

61

Industry Norms Based On 61 Establishments			
	This Business	Industry Median	Industry Quartile
<b>Profitability</b>			
Return on Sales	UN	4.4	UN
Return on Net Worth	UN	11.1	UN
<b>Short-Term Solvency</b>			
Current Ratio	UN	1.1	UN
Quick Ratio	UN	0.6	UN
<b>Efficiency</b>			
Assets/Sales	UN	133.3	UN
Sales / Net Working Capital	UN	11.1	UN
<b>Utilization</b>			
Total Liabilities / Net Worth	UN	204.3	UN

UN = Unavailable

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**EXHIBIT C-8**  
**BANKRUPTCY INFORMATION**  
**OF UGI ENERGY SERVICES, INC.**

There have been no reorganization filings, creditor protection filings or any other form of bankruptcy protection filings made by UGI Energy Services, Inc., or any parent or affiliate organization, in the last two years.



**EXHIBIT C-9**  
**MERGER INFORMATION**  
**OF UGI ENERGY SERVICES, INC.**

There has been no dissolution or merger of UGI Energy Services, Inc. in the last five years, nor has there been any transaction in which the capital stock of UGI Energy Services, Inc. was acquired by a third party.

**EXHIBIT D-1**  
**OPERATIONS**  
**OF UGI ENERGY SERVICES, INC.**

UGI Energy Services is a full service natural gas marketer. UGI purchases gas from reputable wholesale marketers and producers and resells it to commercial and industrial customers at the city gate of their respective local distribution companies. UGI performs all nominations and scheduling of gas.

**EXHIBIT D-2**  
**OPERATIONS EXPERTISE**  
**OF UGI ENERGY SERVICES, INC.**

With 20 years of experience in retail natural gas marketing, UGI Energy Services, Inc. has established expertise in handling all facets of retail supply. UGI Energy Services currently has over 4,000 customers, and has the personnel and information systems necessary to efficiently administer customer contracts, nominations, balancing and billing. UGI Energy Services, Inc.'s gas supply group holds a substantial portfolio of gas supply and pipeline transportation contracts that enable it to access natural gas throughout the U.S., route the gas across multiple paths to avoid transportation constraints, and meet daily delivery obligations at local distribution company city-gates throughout the Northeast and Mid-Atlantic regions. UGI Energy Services nominates substantial quantities of daily transportation on both Columbia Gas Transmission and Texas Eastern Transmission -- two of the primary interstate pipelines serving Ohio retail markets. UGI Energy Services Inc. serves customers behind 24 separate LDC systems, and is fully knowledgeable with respect to LDC tariffs, pooling and aggregation rules and balancing requirements.

**EXHIBIT D-3**  
**"KEY TECHNICAL PERSONNEL"**  
**OF UGI ENERGY SERVICES, INC.**

UGI Energy Services Management team is comprised of energy industry veterans:

<u>Name</u>	<u>Title</u>	<u>E-Mail Contact</u>
Robert Meder	Vice President Gas Supply and Risk Management	rmeder@gasmark.com

**Experience:** 20 years of industry experience. Currently responsible for energy purchasing and risk management, including the purchase of physical supplies , options, risk management and mitigation products. Has held a prior industry position as an energy coordinator for a large industrial end user, where he purchased 150,000 Dth/d of natural gas and one million barrels of oil per year.

Joseph L. Hartz	Vice President Asset Management	jhartz@gasmark.com
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**Experience:** 19 Years of industry experience. Currently responsible for all of the day-to-day financial, accounting, information systems, data network & administrative functions for UGIES, including risk management and communication with internal and external auditors and taxing authorities. Mr Hartz holds a BS, and was formerly Supervisor of Gas Supply Accounting at UGI Utilities, Inc.

Michael C. Gibbs	Vice President, Sales	mgibbs@gasmark.com@gasmark.com
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**Experience:** 21 Years of industry experience. Currently responsible for the overall strategic and tactical management of the Sales function at GASMARK, the interface between the Regional Sales Directors and their reports and other Departments, the preparation of sales forecasts, budgets and sensitivity analyses, the establishment of sales goals and compensation targets, and the achievement of gross margin and profitability goals. Holds a BS, and has held various managerial positions throughout the industry.

Matthew S. Dutzman	Vice President, Marketing	mdutzman@gasmark.com
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**Experience:** 20 Years of industry experience. Currently responsible for developing growth strategies, business plans, consulting, and management of acquisition activity. Mr. Dutzman has an MBA, and a BS, and has held numerous positions specializing in fuel supply planning and procurement

Angela K. Rodriguez	Chief Financial Officer:	arodriguez@gasmark.com
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**Experience:** 12 Years of industry experience. Currently responsible for financial, accounting, information systems, data network and administrative functions for UGIES including risk management, internal controls, Sarbanes-Oxley, credit and communications with internal and external auditors. MBA, University of Pennsylvania & BS, University of Notre Dame. Ms. Rodriguez was formerly CFO for UGI Enterprise, Inc.

Robert Libutti	Director of Corporate Development	rlibutti@gasmark.com
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**Experience:** 17 Years of industry experience. Currently responsible for UGIES' customer service activities, including the estimation of requirements, nominations, scheduling & reconciliation. Mr. Libutti has an MBA and a BS and held various positions at UGI Utilities, Inc. in sales, marketing, management, pricing, contract & rate design.