

UGI Penn Natural Gas, Inc.  
List of Affiliate Interest Agreements

<b>Affiliate</b>	<b>Effective Dates</b>	<b>Docket #</b>	<b>Details</b>
UGI Corporation	Sept. 15, 2006	G-00061179	This Agreement sets forth the terms by which UGI Penn Natural Gas, Inc. may provide administrative services to or receive services from Holding Company and its unregulated subsidiaries. These services will be provided on a cost basis.
	Sept. 15, 2006	G-00061180	Arrangement between UGI Penn Natural Gas, Inc. and UGI Corporation and its subsidiaries under which Utilities would provide pipeline engineering, construction, maintenance and related services at to UGI Companies at the higher of market rates or cost.
United Valley Insurance Co.	Sept. 15, 2006	G-00061181	Affiliate Interest Agreement for insurance coverage through United Valley Insurance Co. Coverage through the affiliate is not mandatory and may be purchased through other independent companies when costs or coverage are more advantageous.
UGI Energy Services, LLC	Sept. 15, 2006	G-00061182	Affiliated Interest Agreement between UGI Penn Natural Gas, Inc. and UGI Energy Services, LLC regarding gas purchases.
UGI Utilities, Inc.	Mar. 27, 2015 - Mar. 26, 2020	G-2015-2489771 S-2015-2490205	Affiliate Interest Agreement permitting UGI Penn Natural Gas, Inc. to borrow funds from UGI Utilities, Inc. up to \$150 million.
UGI HVAC	Feb. 2007	G-00071217	Affiliated Interest Agreement of UGI Utilities, Inc. and UGI Penn Natural Gas, Inc. with UGI HVAC Services, Inc. and UGI HVAC Enterprises (1) natural gas distribution facility installation, maintenance, testing and repair services and associated equipment (hereafter "Natural Gas Operations Services") and (2) heating, air conditioning, ventilating, plumbing, electric contracting and/or related services and associated equipment from the UGI HVAC Companies at market prices.

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

Public Meeting held September 15, 2006

Commissioners Present:

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

Affiliated Interest Agreements between UGI Penn Natural Gas Inc. and UGI Corporation and its subsidiaries to provide administrative services, pipeline engineering, construction, maintenance, insurance coverage and natural gas distribution and supplier of last resort services.

Docket No. G-00061179  
Docket No. G-00061180  
Docket No. G-00061181  
Docket No. G-00061182

**ORDER**

BY THE COMMISSION:

On June 27, 2006, UGI Penn Natural Gas, Inc. filed Affiliated Interest Agreements with each of the following: UGI Corporation (UGI), United Valley Insurance Co., and UGI Energy Services, Inc. d/b/a GASMARK. These Agreements have been filed in accordance with the requirements of Section 2102(b) of the Public Utility Code, 66 Pa. C.S. §2102(b). On July 7, 2006, the Commission extended the period for consideration of this Agreement until further order of the Commission.

These filings relate to the following categories of auxiliary service:  
administrative services, pipeline engineering, construction, maintenance and related

services; insurance coverage; natural gas distribution and supplier of last resort services. These agreements are only for the providing of the aforementioned services. However, UGI Penn Natural Gas, Inc. has stated that it will not receive services under the agreement until it is approved by the Commission.

The closing of the transactions approved in the Order docketed at A-120011F2000, A-125146F5000, and A-125146 concerning the acquisition by UGI Penn Natural Gas Corporation of all of the property of the former PG Energy Division was completed on August 24, 2006.

Of historical note, the Commission approved the physical separation of the HVAC business from UGI Utilities by a certificate of public convenience issued at A-123100F0034; G-00051142; order dated December 01, 2005. And, for clarification purposes, because this business originated in UGI Utilities and serves the needs of UGI Utilities customers as explained in the certificate application, UGI HVAC naturally has information about the UGI Utilities customers who are also customers of the HVAC business. As such, UGI HVAC may have access to customer information that may not be available or accessible to other such providers of HVAC services.

Upon review of the company's filing, it does not appear that this filing is unreasonable or contrary to the public interest. However, the review of filing has raised issues that plead for definitive timeframes for resolution. Therefore, this filing is hereby approved contingent with the following conditions:

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

2. UGI is directed to transition HVAC information and billing services to a separate independent system within 2 years.
3. UGI is directed that the only information that can be transferred to the HVAC system from the current shared system will be information regarding then current HVAC customers (no information regarding other UGI Utilities customers is to be transferred).
4. UGI is required to file with the Secretary with copies to Audits and FUS an annual statement of shared services and their corporate allocation.

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

**IT IS ORDERED:**

1. That the Affiliated Interest Agreements between UGI Penn Natural Gas, Inc. and several unregulated subsidiaries of UGI corporations are hereby approved effective August 24, 2006.

2. That the conditions imposed above are complied with, and the response to aforementioned condition 1 be supplied within 30 days. Absent such response the agreement shall be scheduled for investigation pursuant to 66 Pa C.S.A. §508.
  
3. That this Order is without prejudice to any formal complaints timely filed against the proposed Affiliated Interest Agreements.
  
4. That this proceeding at Docket Nos. G-00061179, G-00061180, G-00061181 and G-00061182 be marked closed.

**BY THE COMMISSION**

James J. McNulty  
Secretary

(SEAL)

ORDER ADOPTED: September 15, 2006

ORDER ENTERED: September 15, 2006



June 27, 2006

*Via Federal Express*

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

Re: Affiliated Interest Filing of UGI Penn Natural Gas, Inc.  
Relating to Purchase and Sale of Natural Gas, Docket  
No.

Dear Secretary McNulty:

This letter seeks approval pursuant to Section 2102 of the Public Utility Code (and in particular subsections 2102 (a) and (b)), of an arrangement between UGI Penn Natural, Inc. ("UGI Penn Natural"), formerly known as UGI Utilities Newco, Inc., and UGI Energy Services, Inc. dba GASMARK ("GASMARK") whereby UGI Penn Natural would buy gas from or sell gas to GASMARK at prevailing market rates. The terms and conditions of this arrangement would be identical to those set forth in the application of UGI Utilities, Inc at Docket Number G-00970552, attached hereto as Appendix A, and approved by the Commission by order dated August 28, 2003, attached hereto as Appendix B. This arrangement is contingent on and would only commence after the issuance of a certificate of public convenience to UGI Penn Natural as requested in **In re: Application of UGI Utilities, Inc., UGI Utilities Newco, Inc. and Southern Union Company for Certificates of Public Convenience, A-120011F2000**, currently pending before the Commission.

This is one of four related affiliated interest filings made this day as follows:

Re: Affiliated Interest Filing of UGI Penn Natural Gas, Inc.  
Relating to Pipeline Engineering, Construction,  
Maintenance and Related Services, Docket No.

Pennsylvania Public Utility Commission

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6/27/2006

Re: Affiliated Interest Filing of UGI Penn Natural Gas, Inc.  
Relating to Purchase and Sale of Natural Gas, Docket No.

Re: Affiliated Interest Filing of UGI Penn Natural Gas, Inc.  
Relating to Insurance Coverage, Docket No.

Re: Affiliated Interest Filing of UGI Penn Natural Gas, Inc.  
Relating to Administrative Services, Docket No.

Each of these filings is contingent upon the issuance of a certificate of public convenience to UGI Penn Natural to begin to provide natural gas distribution and supplier of last resort services to approximately 160,000 in 13 counties in northeastern Pennsylvania, including the cities of Scranton, Wilkes Barre and Williamsport, currently served by the PG Energy Division of the Southern Union Company. UGI Penn Natural will become a subsidiary of UGI Utilities, Inc., a public utility providing natural gas service to approximately 307,000 customers in 14 counties, including the cities of Allentown, Bethlehem, Easton, Harrisburg, Lancaster, Lebanon and Reading, and electric distribution service to approximately 62,000 customers in two northeastern counties near Wilkes-Barre.

Each of the four related affiliated interest applications seeks the Commission's approval for UGI Penn Natural to enter into arrangements or agreements with affiliates on exactly the same terms and with the same affiliates in the UGI Corporation family of companies ("UGI Organization") as arrangements and agreements previously approved by the Commission for UGI Utilities. Attached hereto as Appendix C is an organization chart showing the proposed relationship of UGI Penn Natural to the other principal operating subsidiaries within the UGI Organization. The agreements and arrangements are necessary in order for UGI Penn Natural to operate with the same level of efficiency and effectiveness as UGI Utilities. These arrangements and agreements have been reviewed by the Commission in management audits of UGI Utilities, the most recent of which was the Focused Management and Operations Audit of UGI Utilities, Inc. prepared by the Pennsylvania Public Utility Commission Bureau Of Audits, issued February 2005, Docket No. D-04MGT014, which concluded:

Our examination of the Affiliate Relationships and Transactions function included a review of cost allocation methodologies; compliance with existing cost allocation policies, practices, procedures and affiliated interest agreements; verification of direct costs; intercompany billings; and the roles and responsibilities of employees. Based on our review, it appears that UGI Corporation's and UGI Utilities' cost allocation methods and procedures are sound and equitable, and that proper controls are in place to properly monitor affiliate transactions in a satisfactory manner. Audit Report at 26.

Pennsylvania Public Utility Commission

Page 3

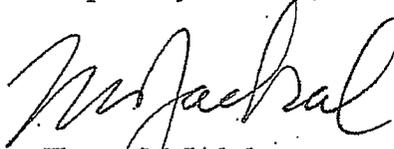
6/27/2006

The affiliated interest arrangements and agreements of UGI Utilities have never been the subject of complaint or investigation proceedings by the Commission.

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

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

Respectfully submitted,



Thomas M. Jackal  
Vice President-Law  
UGI Penn Natural Gas, Inc.

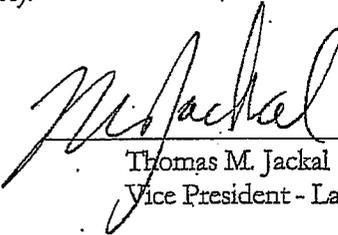
TMJ/mg

Enclosures

cc: L. Godlasky  
J. Barney (w/o enclosures)  
V. Ebner (w/o enclosures)  
P. Terranova (w/o enclosures)  
D. MacGregor / Post & Schell

AFFIDAVIT

Thomas M. Jackal, deposes and says that he is Vice President-Law of UGI Penn Natural Gas, Inc.; that he is duly authorized to and does make this Affidavit on its behalf; that the facts set forth in the foregoing document are true and correct to the best of his knowledge information and belief, and that this Affidavit is made subject to the penalties of 18 Pa.C.S. §4904 (relating to unsworn falsification to authorities).

  
\_\_\_\_\_  
Thomas M. Jackal  
Vice President - Law

APPENDIX A



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

Post Office Box 858  
Valley Forge, PA 19482-0858

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

April 14, 1997

**FEDERAL EXPRESS**

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

Re: Affiliated Interest Filing of UGI Utilities, Inc.

Dear Prothonotary McNulty:

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

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

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

tmjN-affil

James J. McNulty, Prothonotary

April 14, 1997

Page 2

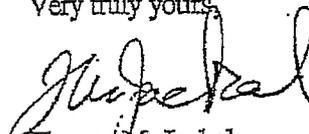
The price of gas sold by GASMARK to Utilities shall be equal to or less than the cost of alternate supplies available to Utilities which are similarly situated with respect to volume, availability, location, transporting pipeline, reliability, and such other operating criteria that are appropriate at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

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

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

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

Very truly yours,



Thomas M. Jackal  
Group Counsel - Utilities

TMJ/klb

Enclosure

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

mj/v-afm



## ATTACHMENT B

PENNSYLVANIA  
PUBLIC UTILITY COMMISSION  
Harrisburg, PA. 17120

Public Meeting held September 15, 1988

## Commissioners Present:

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

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

G-880112

## OPINION AND ORDER

## BY THE COMMISSION:

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

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

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

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

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

IT IS ORDERED: -

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

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

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

~~BY THE COMMISSION,~~  
*Jerry Rich*  
Jerry Rich  
Secretary.

(SEAL)

ORDER ADOPTED: September 15, 1988

ORDER ENTERED: September 15, 1988

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Buyer's Representative:

Seller's Representative:

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

Telephone:

Telephone: (610) 373-7999

800 427-8545

Facsimile:

Facsimile: (610) 374-4288

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

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

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

AGREED AND ACCEPTED THIS

AGREED AND ACCEPTED THIS

\_\_\_ day of \_\_\_\_\_, 199\_

\_\_\_ day of \_\_\_\_\_, 199\_

BUYER:

SELLER: GASMARK

By:

By:

Title:

Title:

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

APPENDIX "A"  
CONFIRMATION AGREEMENT NO. \_\_\_\_\_

This Confirmation Agreement is subject to the terms of the existing Master Natural Gas Sales Agreement between \_\_\_\_\_ ("Buyer") and UGI Energy Services, Inc. d/b/a GASMARK ("Seller") dated \_\_\_\_\_ (Contract No. \_\_\_\_\_). In the event a conflict exists between the terms and conditions of the Master Contract and this Confirmation Agreement, the terms and conditions of the Confirmation Agreement shall govern.

NATURE OF SERVICE:

SALES PERIOD:

CONTRACT QUANTITY:

CONTRACT PRICE:

POINT(S) OF DELIVERY:

NOMINATION PROCEDURE:

OTHER CONDITIONS:

BUYER:

SELLER: GASMARK

By:

By:

Title:

Title:

Date:

Date:

APPENDIX B



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

SEP 3 1997

TMJ

REFER TO OUR FILE

AUGUST 28, 1997

G-00970552

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

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

To Whom It May Concern:

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

An Opinion and Order has been enclosed for your records.

Very truly yours,

*James J. McNulty*  
James J. McNulty,  
Acting Secretary

snk  
Encls.  
Cert.Mail

PENNSYLVANIA  
PUBLIC UTILITY COMMISSION  
Harrisburg, PA. 17105-3265

Public Meeting held August 28, 1997

Commissioners Present:

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

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

OPINION AND ORDER

BY THE COMMISSION:

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

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

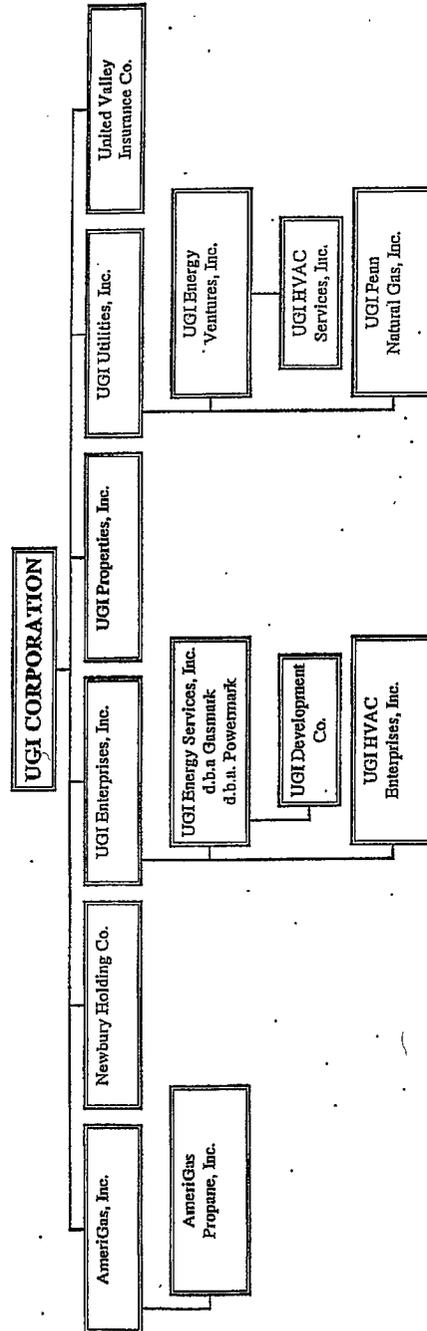
GASMARK was formed in 1985 for the purposes of brokering gas supplies. GASMARK formerly did business as a division of UGI Development Company ("UGID"), a wholly owned subsidiary of Utilities. In 1995, the business of GASMARK was transferred from UGID to the newly formed UGI Energy Services, Inc. GASMARK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

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

APPENDIX C

# UGI CORPORATION

## Active Domestic Subsidiaries



AIA Financing G2015-2489752 and G-2015-2489771

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

Public Meeting held August 20, 2015

Commissioners Present:

Gladys M. Brown, Chairman  
John F. Coleman, Jr., Vice Chairman  
James H. Cawley  
Pamela A. Witmer  
Robert F. Powelson

Docket Number:

Affiliated Interest Agreement between UGI Utilities,  
Inc. and UGI Central Penn Gas, Inc.

G-2015-2489752

Affiliated Interest Agreement between UGI Utilities,  
Inc. and UGI Penn Natural Gas, Inc.

G-2015-2489771

Securities Certificate of UGI Central Penn Gas, Inc.  
for the incurrence of indebtedness under a \$50 million  
financing agreement through and until March 26,  
2020.

S-2015-2490184

Securities Certificate of UGI Penn Natural Gas, Inc.  
for the incurrence of indebtedness under a \$150  
million financing agreement through and until March  
26, 2020.

S-2015-2490205

Securities Certificate of UGI Utilities, Inc. for the  
incurrence of indebtedness under a \$450 million  
unsecured, revolving credit agreement through and  
until March 26, 2020.

S-2015-2490378

AIA Financing G2015-2489752 and G-2015-2489771

## ORDER

### BY THE COMMISSION:

On June 26, 2015, UGI Gas Utilities, Inc. (UGIU) filed pursuant to Chapter 21 of the Pennsylvania Public Utility Code, 66 Pa. C.S. §§2101, *et seq.*, for approval of an affiliated interest agreement between UGIU, UGI Central Penn Gas, Inc. (CPG) and UGI Penn Natural Gas, Inc. (PNG)(jointly, UGI Gas Utilities) for authority to participate in a financing agreement whereby CPG and PNG (jointly, UGIU Subs) would be provided funds borrowed by UGIU. On June 29, 2015, CPG and PNG filed for registration pursuant to Chapter 19 of the Pennsylvania Public Utility Code, 66 Pa. C.S. §§ 1901 *et seq.* and 52 Pa. Code § 3.601 (relating to Commission registration of securities certificates), the above-captioned securities certificates for the incurrence of indebtedness under a \$50 million and \$150 million financing agreement, respectively, through and until March 26, 2020. On June 30, 2015, UGIU, filed for registration pursuant to Chapter 19 of the Pennsylvania Public Utility Code, 66 Pa. C.S. §§ 1901 *et seq.* and 52 Pa. Code § 3.601 (relating to Commission registration of securities certificates), the above-captioned securities certificate for the incurrence of indebtedness up to \$450 million under an unsecured, revolving credit agreement through and until March 26, 2020 (Credit Agreement). On July 21, 2015, UGI Gas Utilities agreed to voluntarily extend the consideration period until August 21, 2015.

CPG (utility code 125127) is a natural gas distribution company duly organized and existing under the laws of the Commonwealth of Pennsylvania. CPG provides natural gas utility service to approximately 81,096 customers in a service territory encompassing all or portions of 35 counties in Pennsylvania and 527 customers in one county in Maryland, through a distribution system containing approximately 3,838 miles of gas mains. CPG is a wholly-owned subsidiary of UGIU.

AIA Financing G2015-2489752 and G-2015-2489771

PNG (utility code 125146) is a public utility corporation organized and existing under the laws of the Commonwealth of Pennsylvania. PNG provides natural gas utility service to approximately 166,247 located in 13 counties in northeastern Pennsylvania through a distribution system containing approximately 2,552 miles of gas mains. CPG is a wholly-owned subsidiary of UGIU.

UGIU (utility code 123100) is a public utility corporation duly organized and existing under the laws of the Commonwealth of Pennsylvania. UGIU provides natural gas utility service to approximately 371,912 customers in 15 counties in eastern and central Pennsylvania through a distribution system containing approximately 5,642 miles of gas mains. UGIU also operates as an electric distribution company and provides electric utility service to approximately 61,789 customers in portions of Luzerne and Wyoming Counties in northeastern Pennsylvania. UGIU is a wholly-owned subsidiary of UGI Corporation (NYSE: UGI).

**The Credit Agreement**

Under the Credit Agreement, dated as of March 27, 2015, the participating lenders have agreed to provide UGIU an initial loan commitment of \$300 million. UGIU may request increase to the loan commitment in \$10 million increments up to a maximum of \$450 million. Any indebtedness will initially mature on March 25, 2016. The maturity date may be extended through and until March 26, 2020, provided registration of the securities certificate prior to March 25, 2016. The Credit Agreement is an unsecured, revolving credit agreement that permits borrowing for general corporate purposes from a consortium of lenders, none of whom are affiliated with UGIU. The interest rate will be floating established upon various benchmark lending rates plus a margin based on UGIU's credit rating.

AIA Financing G2015-2489752 and G-2015-2489771

### **The Financing Agreement**

Consistent with the terms of the Credit Agreement,<sup>1</sup> UGIU has agreed to loan CPG up to \$50 million (CPG Financing Agreement) and PNG up to \$150 million (PNG Financing Agreement)(together, Financing Agreements). As the Financing Agreements are affiliated interest agreements, Commission approval is required before CPG or PNG are able to borrow under the Financing Agreements.

UGIU states that approval of the Financing Agreements is in the public interest because it gives CPG and PNG access to credit at a lower cost. UGIU subs do not issue debt and are not currently rated by any credit rating services. Given that UGIU has issued publicly-traded debt securities and is rated by one or more major credit rating agencies, UGIU avers it will be able to raise capital at rates more favorable than CPG or PNG could if they sought to access the credit markets on their own. UGIU Subs will utilize the Financing Agreements for working capital which will primarily consist of their seasonal purchased gas cost obligations.

Compliance checks found that UGI Gas Utilities are current with its annual and Security Planning and Readiness report filing requirements, and has no outstanding Commission fines or assessments.

Having examined CPG's securities certificate for the incurrence of indebtedness in an amount up to \$50 million under a financing agreement through and until March 26, 2020, PNG's securities certificate for the incurrence of indebtedness in an amount up to \$150 million under a financing agreement through and until March 26, 2020, and UGIU's securities certificate for the incurrence of indebtedness in an amount up to \$450 million under an unsecured, revolving credit agreement through and until March 26, 2020, we have determined that the proposed indebtedness appears to be necessary or proper for the

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<sup>1</sup> The UGIU Subs will borrow at the same rates, terms, and conditions.

AIA Financing G2015-2489752 and G-2015-2489771

present and probable future capital needs of the utility, and as a result the securities certificates should be registered. We also find that the instant affiliated interest agreements between UGIU and the UGI Subs appears to be reasonable and consistent with the public interest under Section 2102(b) of the Public Utility Code; however, approval of the affiliated interest agreements does not preclude the Commission from investigating during any formal proceeding the reasonableness of any charges under this arrangement; **THEREFORE,**

**IT IS ORDERED:**

1. That the securities certificate of UGI Central Penn Gas, Inc. for the incurrence of indebtedness under a \$50 million financing agreement through and until March 26, 2020, is hereby registered.

2. That the securities certificate of UGI Penn Natural Gas, Inc. for the incurrence of indebtedness under a \$150 million financing agreement through and until March 26, 2020 is hereby registered.

3. That the securities certificate of UGI Utilities, Inc. for the incurrence of indebtedness under a \$450 million unsecured, revolving credit agreement through and until March 26, 2020 is hereby registered.

4. That the Affiliated Interest Agreement between UGI Utilities, Inc. and UGI Central Penn Gas, Inc. is hereby approved.

5. That the Affiliated Interest Agreement between UGI Utilities, Inc. and UGI Penn Natural Gas, Inc. is hereby approved.

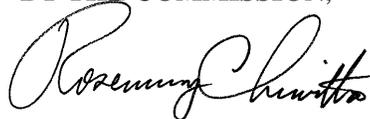
AIA Financing G2015-2489752 and G-2015-2489771

6. That acceptance does not preclude the Commission from investigating during any formal proceeding the reasonableness of any charges under the Agreement.

7. Consistent with Section 1903(b) of the Public Utility Code, 66 Pa. C.S. § 1903(b), the registration of the subject Securities Certificates does not represent Commission approval of the proposed projects for rate recovery pursuant to 66 Pa. C.S. Sections 1301-1328.

8. That the case be marked closed.

**BY THE COMMISSION,**



Rosemary Chiavetta  
Secretary

(SEAL)

ORDER ADOPTED: August 20, 2015

ORDER ENTERED: August 20, 2015

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

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

IN REPLY  
PLEASE REFER  
TO OUR FILE

February 20, 2007

G-00071217

UGI CORP  
460 NORTH GULPH ROAD  
KING OF PRUSSIA PA 19406

ATTN MARK C MORROW, Senior Counsel

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

Dear Mr. Morrow:

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

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

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

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

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

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

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

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

Sincerely,

James J. McNulty  
Secretary

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

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

January 22, 2007

VIA EXPRESS MAIL

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

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

Post Office Box 858  
Valley Forge, PA 19482-0858

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

**Re: Affiliated Interest Agreement of UGI Utilities,  
Inc. and UGI Penn Natural Gas, Inc.,  
Docket No. G- 0007 1217**

Dear Secretary McNulty:

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

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

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

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

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

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

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

Services To Be Obtained

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

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

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

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

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

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

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

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

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

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

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

prices paid for services provided under this affiliated interest arrangement.

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

Very truly yours,



Mark C. Morrow  
(Attorney No. 33590)

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

Dated: January 22, 2007

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

VERIFICATION

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

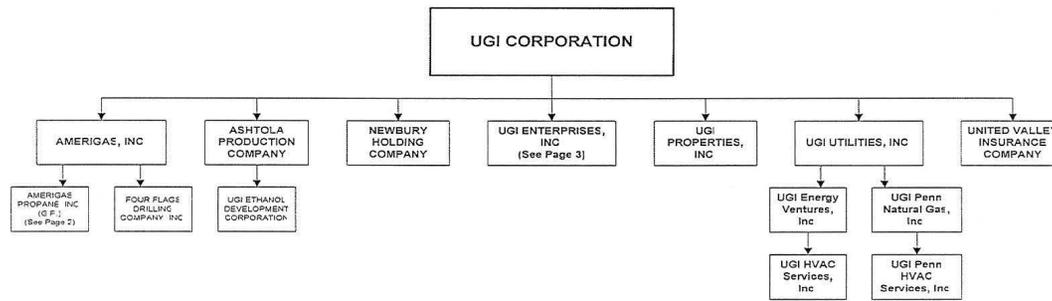


David W. Trego

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

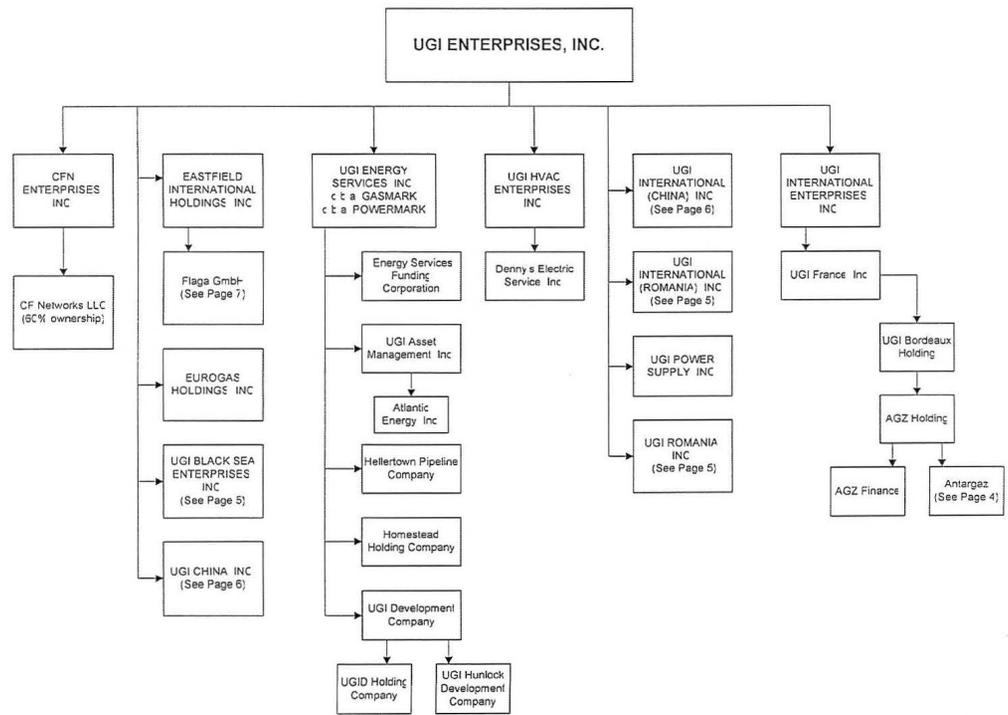
EXHIBIT A

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



9/30/06

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



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

**EXHIBIT B**

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

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

October 13, 2006

*via Federal Express*

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

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

Dear Secretary McNulty:

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

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

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

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

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

Pennsylvania Public Utility Commission

Page 2

October 15, 2006

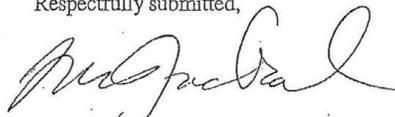
- a. HVAC employees will have access to a computer memo screen, where call center employees type free-form messages concerning customers, e.g., time of day when a customer may be home for service. HVAC employees will access this screen only when it contains information related to HVAC services, but for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

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

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

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

Respectfully submitted,



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

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