UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2015

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __________ to __________

Commission file number 1-1398

UGI UTILITIES, INC.

(Exact name of registrant as specified in its charter)

Pennsylvania	23-1174060
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

UGI UTILITIES, INC.
2525 N. 12th Street, Suite 360
Reading, PA
(Address of principal executive offices)
19612
(Zip Code)
(610) 796-3400
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☑ No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o	Accelerated filer o	Non-accelerated filer ☑	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No ☑

At April 30, 2015, there were 26,781,785 shares of UGI Utilities, Inc. Common Stock, par value $2.25 per share, outstanding, all of which were held, beneficially and of record, by UGI Corporation.

UGI UTILITIES, INC. AND SUBSIDIARIES

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UGI UTILITIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS
(unaudited)
(Thousands of dollars)

	March 31, 2015	September 30, 2014	March 31, 2014
ASSETS			
Current assets:			
Cash and cash equivalents	$ 16,040	$ 12,401	$ 14,238
Restricted cash	5,578	3,592	—
Accounts receivable (less allowances for doubtful accounts of $11,889, $6,992 and $12,098, respectively)	183,046	65,080	181,823
Accounts receivable — related parties	2,709	2,865	8,633
Accrued utility revenues	42,056	14,330	49,710
Inventories	19,533	95,219	20,629
Deferred income taxes	25,168	1,492	12,877
Regulatory assets	625	13,159	4,242
Derivative instruments	612	1,028	3,221
Prepaid expenses & other current assets	15,648	18,535	13,705
Total current assets	311,015	227,701	309,078
Property, plant and equipment, at cost (less accumulated depreciation and amortization of $911,289, $886,268 and $877,460, respectively)	1,753,197	1,682,284	1,611,934
Goodwill	182,145	182,145	182,145
Regulatory assets	251,945	255,007	231,689
Other assets	7,741	7,506	5,771
Total assets	$ 2,506,043	$ 2,354,643	$ 2,340,617
LIABILITIES AND STOCKHOLDER'S EQUITY			
Current liabilities:			
Current maturities of long-term debt	$ 92,000	$ 20,000	$ —
Short-term borrowings	30,500	86,300	6,500
Accounts payable	54,612	58,453	69,468
Accounts payable — related parties	14,979	11,761	20,715
Deferred fuel refunds	40,542	—	3,204
Derivative instruments	5,464	1,632	372
Other current liabilities	166,879	99,336	149,983
Total current liabilities	404,976	277,482	250,242
Long-term debt	550,000	622,000	642,000
Deferred income taxes	472,343	461,461	448,678
Deferred investment tax credits	3,765	3,933	4,100
Pension and postretirement benefit obligations	94,332	98,363	65,972
Derivative instruments	75	—	—
Other noncurrent liabilities	51,262	51,567	52,669
Total liabilities	1,576,753	1,514,806	1,463,661
Commitments and contingencies (Note 7)			
Common stockholder's equity:			
Common Stock, $2.25 par value (authorized — 40,000,000 shares; issued and outstanding — 26,781,785 shares)	60,259	60,259	60,259
Additional paid-in capital	471,653	471,071	470,761
Retained earnings	404,516	316,688	353,680
Accumulated other comprehensive loss	(7,138)	(8,181)	(7,744)
Total common stockholder's equity	929,290	839,837	876,956
Total liabilities and stockholder's equity	$ 2,506,043	$ 2,354,643	$ 2,340,617

See accompanying notes to condensed consolidated financial statements.

UGI UTILITIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(unaudited)
(Thousands of dollars)

	Three Months Ended March 31,		Six Months Ended March 31,	
	2015	2014	2015	2014
Revenues	$ 500,573	$ 513,956	$ 787,879	$ 812,855
Costs and expenses:				
Cost of sales — gas, fuel and purchased power (excluding depreciation shown below)	278,336	300,424	421,388	452,289
Operating and administrative expenses	58,917	54,306	105,465	95,451
Operating and administrative expenses — related parties	4,138	3,769	6,920	5,612
Taxes other than income taxes	4,803	4,801	8,907	8,980
Depreciation	14,757	13,815	29,315	27,437
Amortization	887	828	1,754	1,656
Other operating income, net	(3,964)	(1,941)	(4,209)	(2,367)
	357,874	376,002	569,540	589,058
Operating income	142,699	137,954	218,339	223,797
Interest expense	10,611	8,806	21,260	17,603
Income before income taxes	132,088	129,148	197,079	206,194
Income taxes	52,499	53,038	78,651	84,798
Net income	$ 79,589	$ 76,110	$ 118,428	$ 121,396

See accompanying notes to condensed consolidated financial statements.

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UGI UTILITIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited)
(Thousands of dollars)

	Three Months Ended March 31,		Six Months Ended March 31,	
	2015	2014	2015	2014
Net income	$ 79,589	$ 76,110	$ 118,428	$ 121,396
Other comprehensive income:				
Reclassifications of net losses on derivative instruments (net of tax of $(278), $(278), $(556) and $(556), respectively)	392	392	783	783
Benefit plans reclassifications of actuarial losses and prior service costs (net of tax of $(92), $(67), $(183) and $(137), respectively)	129	95	260	193
Other comprehensive income	521	487	1,043	976
Comprehensive income	$ 80,110	$ 76,597	$ 119,471	$ 122,372

See accompanying notes to condensed consolidated financial statements.

UGI UTILITIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)
(Thousands of dollars)

	Six Months Ended March 31, 2015	Six Months Ended March 31, 2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 118,428	$ 121,396
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	31,069	29,093
Deferred income taxes, net	(13,888)	12,109
Provision for uncollectible accounts	8,979	8,716
Other, net	2,521	414
Net change in:		
Accounts receivable and accrued utility revenues	(154,515)	(173,176)
Inventories	75,686	69,032
Deferred fuel and power costs, net of changes in unsettled derivatives	55,760	(10,181)
Accounts payable	8,013	25,726
Other current assets	(921)	1,746
Other current liabilities	66,025	38,355
Net cash provided by operating activities	197,157	123,230
CASH FLOWS FROM INVESTING ACTIVITIES:		
Expenditures for property, plant and equipment	(102,020)	(65,902)
Net costs of property, plant and equipment disposals	(3,694)	(2,948)
(Increase) decrease in restricted cash	(1,986)	3,181
Net cash used by investing activities	(107,700)	(65,669)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payment of dividends	(30,600)	(37,693)
Issuances of long-term debt	—	175,000
Repayments of long-term debt	—	(175,000)
Decrease in short-term borrowings	(55,800)	(11,000)
Other	582	663
Net cash used by financing activities	(85,818)	(48,030)
Cash and cash equivalents increase	$ 3,639	$ 9,531
CASH AND CASH EQUIVALENTS:		
End of period	$ 16,040	$ 14,238
Beginning of period	12,401	4,707
Increase	$ 3,639	$ 9,531

See accompanying notes to condensed consolidated financial statements.

UGI UTILITIES, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements
(unaudited)
(Thousands of dollars)

Note 1 — Nature of Operations

UGI Utilities, Inc. (“UGI Utilities”), a wholly owned subsidiary of UGI Corporation (“UGI”), and UGI Utilities’ wholly owned subsidiaries UGI Penn Natural Gas, Inc. (“PNG”) and UGI Central Penn Gas, Inc. (“CPG”), own and operate natural gas distribution utilities in eastern, northeastern and central Pennsylvania and in a portion of one Maryland county. UGI Utilities also owns and operates an electric distribution utility in northeastern Pennsylvania (“Electric Utility”). UGI Utilities’ natural gas distribution utility is referred to as “UGI Gas.” UGI Gas, PNG and CPG are collectively referred to as “Gas Utility.” Gas Utility is subject to regulation by the Pennsylvania Public Utility Commission (“PUC”) and, with respect to a small service territory in one Maryland county, the Maryland Public Service Commission, and Electric Utility is subject to regulation by the PUC. Gas Utility and Electric Utility are collectively referred to as “Utilities.” PNG also has a heating, ventilation and air-conditioning service business (“UGI Penn HVAC Services, Inc.”) which operates principally in the PNG service territory (“HVAC Business”).

The term “UGI Utilities” is used sometimes as an abbreviated reference to UGI Utilities, Inc., or to UGI Utilities, Inc. and its subsidiaries, including PNG and CPG.

Note 2 — Summary of Significant Accounting Policies

Basis of Presentation. Our condensed consolidated financial statements include the accounts of UGI Utilities and its subsidiaries (collectively, “we” or the “Company”). We eliminate intercompany accounts when we consolidate.

The accompanying condensed consolidated financial statements are unaudited and have been prepared in accordance with the rules and regulations of the U.S. Securities and Exchange Commission (“SEC”). They include all adjustments that we consider necessary for a fair statement of the results for the interim periods presented. Such adjustments consisted only of normal recurring items unless otherwise disclosed. The September 30, 2014, condensed consolidated balance sheet data was derived from audited financial statements but do not include all disclosures required by accounting principles generally accepted in the United States of America (“GAAP”).

These financial statements should be read in conjunction with the financial statements and related notes included in our Annual Report on Form 10-K for the fiscal year ended September 30, 2014 (“the Company’s 2014 Annual Report”). Due to the seasonal nature of our businesses, the results of operations for interim periods are not necessarily indicative of the results to be expected for a full year.

Use of Estimates. The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and costs. These estimates are based on management’s knowledge of current events, historical experience and various other assumptions that are believed to be reasonable under the circumstances. Accordingly, actual results may be different from these estimates and assumptions.

Note 3 — Accounting Changes

Accounting Standards Not Yet Adopted

Debt Issuance Costs. In April 2015, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2015-03, "Simplifying the Presentation of Debt Issuance Costs." This ASU amends existing guidance to require the presentation of debt issuance costs in the balance sheet as a direct deduction from the carrying amount of the related debt liability instead of a deferred charge. The amendments in this ASU are effective for annual reporting periods beginning after December 15, 2015. Early adoption is permitted. Entities would apply the new guidance retrospectively to all periods presented. The Company expects to adopt the new guidance in the fourth quarter of Fiscal 2015.

Revenue Recognition. In May 2014, the FASB issued ASU No. 2014-09, “Revenue from Contracts with Customers.” This ASU supersedes the revenue recognition requirements in Accounting Standards Codification (“ASC”) 605, “Revenue Recognition,” and most industry-specific guidance included in the ASC. The standard requires that an entity recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. This standard is effective for the Company for interim and annual periods beginning October 1, 2017 (Fiscal 2018) and allows for either full retrospective adoption or modified retrospective adoption. On April 29, 2015, the FASB issued for public comment a proposal to delay the effective date by one year. The Company is in the process of assessing the impact of the adoption of ASU 2014-09 on its results of operations, cash flows and financial position.

(Thousands of dollars)

Note 4 — Inventories

Inventories comprise the following:

	March 31, 2015	September 30, 2014	March 31, 2014
Gas Utility natural gas	$ 6,260	$ 82,664	$ 7,490
Materials, supplies and other	13,273	12,555	13,139
Total inventories	$ 19,533	$ 95,219	$ 20,629

At March 31, 2015, UGI Utilities is a party to three principal storage contract administrative agreements ("SCAAs") having terms of three years. Two of the SCAAs are with Energy Services, LLC ("Energy Services"), a second-tier, wholly owned subsidiary of UGI (see Note 12) and one of the SCAAs is with a non-affiliate. Pursuant to SCAAs, UGI Utilities has, among other things, released certain storage and transportation contracts for the terms of the SCAAs. UGI Utilities also transferred certain associated storage inventories upon commencement of the SCAAs, will receive a transfer of storage inventories at the end of the SCAAs, and makes payments associated with refilling storage inventories during the terms of the SCAAs. The historical cost of natural gas storage inventories released under the SCAAs, which represents a portion of Gas Utility's total natural gas storage inventories, and any exchange receivable (representing amounts of natural gas inventories used by the other parties to the agreement but not yet replenished for which UGI Utilities has the rights), are included in the caption "Gas Utility natural gas" in the table above.

The carrying value of gas storage inventories released under the SCAAs at March 31, 2015, September 30, 2014 and March 31, 2014, comprising 1.0 billion cubic feet ("bcf"), 11.6 bcf and 1.3 bcf of natural gas, was $4,082, $49,897 and $5,421, respectively. At March 31, 2015, September 30, 2014 and March 31, 2014, UGI Utilities held a total of $17,700, $17,600 and $17,600, respectively, of security deposits from its SCAA counterparties. These amounts are included in other current liabilities on the Condensed Consolidated Balance Sheets.

Notes to Condensed Consolidated Financial Statements
(unaudited)
(Thousands of dollars)

Note 5 — Regulatory Assets and Liabilities and Regulatory Matters

For a description of the Company's regulatory assets and liabilities other than those described below, see Note 4 in the Company's 2014 Annual Report. UGI Utilities does not recover a rate of return on its regulatory assets. The following regulatory assets and liabilities associated with Gas Utility and Electric Utility are included in our accompanying Condensed Consolidated Balance Sheets:

	March 31, 2015	September 30, 2014	March 31, 2014
Regulatory assets:			
Income taxes recoverable	$ 111,441	$ 110,709	$ 106,800
Underfunded pension and postretirement plans	105,539	110,116	90,996
Environmental costs	14,110	14,616	14,544
Deferred fuel and power costs	—	11,732	4,308
Removal costs, net	18,377	16,790	14,379
Other	3,103	4,203	4,904
Total regulatory assets	$ 252,570	$ 268,166	$ 235,931
Regulatory liabilities:			
Postretirement benefits	$ 19,323	$ 18,594	$ 17,196
Environmental overcollections	—	349	1,855
Deferred fuel and power refunds	40,542	306	3,204
State tax benefits — distribution system repairs	10,621	10,076	8,998
Other	2,099	3,172	1,895
Total regulatory liabilities (a)	$ 72,585	$ 32,497	$ 33,148

(a) Regulatory liabilities, other than deferred fuel and power refunds, are recorded in other current and noncurrent liabilities in the Condensed Consolidated Balance Sheets.

Deferred fuel and power — costs and refunds. Gas Utility's and Electric Utility's tariffs contain clauses which permit recovery of all prudently incurred purchased gas and power costs through the application of purchased gas cost ("PGC") rates in the case of Gas Utility and default service ("DS") tariffs in the case of Electric Utility. The clauses provide for periodic adjustments to PGC and DS rates for differences between the total amount of purchased gas and electric generation supply costs collected from customers and recoverable costs incurred. Net undercollected costs are classified as a regulatory asset and net overcollections are classified as a regulatory liability.

Gas Utility uses derivative instruments to reduce volatility in the cost of gas it purchases for firm- residential, commercial and industrial ("retail core-market") customers. Realized and unrealized gains or losses on natural gas derivative instruments are included in deferred fuel costs or refunds. Net unrealized gains (losses) on such contracts at March 31, 2015, September 30, 2014, and March 31, 2014, were $(3,381), $(1,363) and $2,389, respectively.

Electric Utility enters into forward electricity purchase contracts to meet a substantial portion of its electricity supply needs. We have chosen not to elect the NPNS exception under GAAP related to these derivative instruments for all forward electricity purchase contracts entered into prior to March 1, 2015. These electricity supply contracts are recognized on the balance sheet at fair value with an associated adjustment to regulatory assets or liabilities because Electric Utility is entitled to fully recover its DS costs. At March 31, 2015, September 30, 2014, and March 31, 2014, the fair values of Electric Utility's electricity supply contracts were gains (losses) of $(1,168), $345 and $358, respectively. These amounts are reflected in current and noncurrent derivative assets and current and noncurrent derivative liabilities on the Condensed Consolidated Balance Sheets with equal and offsetting amounts reflected in deferred fuel and power costs and refunds in the table above. Effective with Electric Utility forward electricity purchase contracts entered into beginning March 1, 2015, Electric Utility will elect the NPNS exception under GAAP and, as a result, the fair values of such contracts will not be recognized on the balance sheet (see Note 10).

Notes to Condensed Consolidated Financial Statements
(unaudited)
(Thousands of dollars)

In order to reduce volatility associated with a substantial portion of its electric transmission congestion costs, Electric Utility obtains financial transmission rights ("FTRs"). FTRs are derivative instruments that entitle the holder to receive compensation for electricity transmission congestion charges when there is insufficient electricity transmission capacity on the electric transmission grid. Because Electric Utility is entitled to fully recover its DS costs, realized and unrealized gains or losses on FTRs are included in deferred fuel and power costs or deferred fuel and power refunds. Unrealized gains or losses on FTRs at March 31, 2015, September 30, 2014, and March 31, 2014, were not material.

Note 6 — Debt

On March 27, 2015, UGI Utilities entered into an unsecured revolving credit agreement (the "UGI Utilities 2015 Credit Agreement") with a group of banks providing for borrowings up to $300,000 (including a $100,000 sublimit for letters of credit). Concurrently with entering into the UGI Utilities 2015 Credit Agreement, UGI Utilities terminated its then-existing $300,000 revolving credit agreement dated as of May 25, 2011. Under the UGI Utilities 2015 Credit Agreement, UGI Utilities may borrow at various prevailing market interest rates, including LIBOR and the banks' prime rate, plus a margin. The margin on such borrowings ranges from 0.0% to 1.75% and is based upon the credit ratings of certain indebtedness of UGI Utilities. The UGI Utilities 2015 Credit Agreement requires UGI Utilities not to exceed a ratio of Consolidated Debt to Consolidated Total Capital, as defined, of 0.65 to 1.0. The UGI Utilities 2015 Credit Agreement is currently scheduled to expire in March 2016, but may be extended by UGI Utilities to March 2020 if on or before March 25, 2016, the Company satisfies certain requirements relating to approval by the PUC. The Company intends to seek such regulatory approval.

Note 7 — Commitments and Contingencies

Contingencies

Environmental Matters

CPG is party to a Consent Order and Agreement ("CPG-COA") with the Pennsylvania Department of Environmental Protection ("DEP") requiring CPG to perform a specified level of activities associated with environmental investigation and remediation work at certain properties in Pennsylvania on which manufactured gas plant ("MGP") related facilities were operated ("CPG MGP Properties") and to plug a minimum number of non-producing natural gas wells per year. In addition, PNG is a party to a Multi-Site Remediation Consent Order and Agreement ("PNG-COA") with the DEP. The PNG-COA requires PNG to perform annually a specified level of activities associated with environmental investigation and remediation work at certain properties on which MGP-related facilities were operated ("PNG MGP Properties"). Under these agreements, environmental expenditures relating to the CPG MGP Properties and the PNG MGP Properties are capped at $1,800 and $1,100, respectively, in any calendar year. The CPG-COA is scheduled to terminate at the end of 2018. The PNG-COA terminates in 2019 but may be terminated by either party effective at the end of any two-year period beginning with the original effective date in March 2004. At March 31, 2015 and 2014, our accrued liabilities for environmental investigation and remediation costs related to the CPG-COA and the PNG-COA totaled $9,610 and $11,097, respectively. We have recorded associated regulatory assets for these costs because recovery of these costs from customers is probable.

From the late 1800s through the mid-1900s, UGI Utilities and its former subsidiaries owned and operated a number of 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, by the early 1950s UGI Utilities divested all of its utility operations other than certain Pennsylvania operations, including those which now constitute UGI Gas and Electric Utility.

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 (1) UGI Gas is currently permitted to include in rates, through future base rate proceedings, a five-year average of such prudently incurred remediation costs and (2) CPG and PNG are currently receiving regulatory recovery of estimated environmental investigation and remediation costs associated with Pennsylvania sites. At March 31, 2015, neither the undiscounted nor the accrued liability for environmental investigation and cleanup costs for UGI Gas was material for UGI Utilities.

(Thousands of dollars)

From time to time, UGI Utilities is notified of 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 generally investigate the extent of environmental contamination or perform environmental remediation. Management believes that under applicable law UGI Utilities should not be liable in those instances in which a former subsidiary owned or operated an MGP. There could be, however, significant future costs of an uncertain amount associated with environmental damage caused by MGPs outside Pennsylvania that UGI Utilities directly operated, or that were owned or operated by former subsidiaries of UGI Utilities if a court were to conclude that (1) the subsidiary's separate corporate form should be disregarded or (2) UGI Utilities should be considered to have been an operator because of its conduct with respect to its subsidiary's MGP.

There are pending claims and legal actions arising in the normal course of our businesses. Although we cannot predict the final results of these pending claims and legal actions, we believe, after consultation with counsel, that the final outcome of these matters will not have a material effect on our consolidated financial position, results of operations or cash flows.

Note 8 — Defined Benefit Pension and Other Postretirement Plans

We sponsor a defined benefit pension plan for employees hired prior to January 1, 2009, of UGI, UGI Utilities, PNG, CPG and certain of UGI's other domestic wholly owned subsidiaries ("Pension Plan"). Pension Plan benefits are based on years of service, age and employee compensation. We also provide postretirement health care benefits to certain retirees and postretirement life insurance benefits to nearly all active and retired employees.

Net periodic pension expense and other postretirement benefit costs relating to the Company's employees include the following components:

	Pension Benefits		Other Postretirement Benefits	
Three Months Ended March 31,	2015	2014	2015	2014
Service cost	$ 1,740	$ 1,623	$ 49	$ 41
Interest cost	5,628	5,721	118	127
Expected return on assets	(7,225)	(6,650)	(153)	(139)
Amortization of:				
Prior service cost (benefit)	87	87	(160)	(160)
Actuarial loss	2,198	1,661	31	37
Net benefit cost (income)	2,428	2,442	(115)	(94)
Change in associated regulatory liabilities	—	—	938	918
Net benefit cost after change in regulatory liabilities	$ 2,428	$ 2,442	$ 823	$ 824

	Pension Benefits		Other Postretirement Benefits	
Six Months Ended March 31,	2015	2014	2015	2014
Service cost	$ 3,481	$ 3,246	$ 97	$ 82
Interest cost	11,255	11,442	237	254
Expected return on assets	(14,449)	(13,299)	(306)	(278)
Amortization of:				
Prior service cost (benefit)	174	174	(320)	(320)
Actuarial loss	4,396	3,321	63	74
Net benefit cost (income)	4,857	4,884	(229)	(188)
Change in associated regulatory liabilities	—	—	1,875	1,836
Net benefit cost after change in regulatory liabilities	$ 4,857	$ 4,884	$ 1,646	$ 1,648

Pension Plan assets are held in trust and consist principally of publicly traded, diversified equity and fixed income mutual funds and, to a much lesser extent, smallcap common stocks and UGI Common Stock. It is our general policy to fund amounts for Pension Plan benefits equal to at least the minimum contribution required by ERISA. During the six months ended March 31,

Notes to Condensed Consolidated Financial Statements
(unaudited)
(Thousands of dollars)

2015 and 2014, the Company made contributions to the Pension Plan of $5,566 and $6,972, respectively. The Company expects to make additional discretionary cash contributions of approximately $5,600 to the Pension Plan during the remainder of Fiscal 2015.

UGI Utilities has established a Voluntary Employees' Beneficiary Association ("VEBA") trust to pay retiree health care and life insurance benefits by depositing into the VEBA the annual amount of postretirement benefits costs, if any, determined under GAAP. The difference between such amount calculated under GAAP and the amounts included in UGI Gas' and Electric Utility's rates is deferred for future recovery from, or refund to, ratepayers. There were no required contributions to the VEBA during the six months ended March 31, 2015 and 2014.

We also participate in an unfunded and non-qualified defined benefit supplemental executive retirement plan. Net benefit costs associated with this plan for all periods presented were not material.

Notes to Condensed Consolidated Financial Statements
(unaudited)
(Thousands of dollars)

Note 9 — Fair Value Measurements

Derivative Instruments

The following table presents on a gross basis our derivative assets and liabilities including both current and noncurrent portions, that are measured at fair value on a recurring basis within the fair value hierarchy, as of March 31, 2015, September 30, 2014 and March 31, 2014:

	Asset (Liability)			
	Level 1	Level 2	Level 3	Total
March 31, 2015:				
Assets:				
Commodity contracts	$ 612	$ 1	$ —	$ 613
Liabilities:				
Commodity contracts	$ (4,366)	$ (1,174)	$ —	$ (5,540)
September 30, 2014:				
Assets:				
Commodity contracts	$ 679	$ 1,018	$ —	$ 1,697
Liabilities:				
Commodity contracts	$ (2,095)	$ (206)	$ —	$ (2,301)
March 31, 2014 (a):				
Assets:				
Commodity contracts	$ 2,725	$ 801	$ —	$ 3,526
Liabilities:				
Commodity contracts	$ (243)	$ (434)	$ —	$ (677)

(a) Certain immaterial amounts have been revised to correct the classification of derivatives.

The fair values of our Level 1 exchange-traded commodity futures and option derivative contracts and certain non exchange-traded electricity forward contracts are based upon actively-quoted market prices for identical assets and liabilities. The fair values of the remainder of our derivative financial instruments and electricity forward contracts, which are designated as Level 2, are generally based upon recent market transactions and related market indicators. There were no transfers between Level 1 and Level 2 during the periods presented.

Other Financial Instruments

The carrying amounts of other financial instruments included in current assets and current liabilities (except for current maturities of long-term debt) approximate their fair values because of their short-term nature. The carrying amount and estimated fair value of our long-term debt (including current maturities) at March 31, 2015, were $642,000 and $740,729, respectively. The carrying amount and estimated fair value of our long-term debt (including current maturities) at March 31, 2014, were $642,000 and $704,811, respectively. We estimate the fair value of long-term debt by using current market rates and by discounting future cash flows using rates available for similar types of debt (Level 2).

UGI UTILITIES, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements
(unaudited)
(Thousands of dollars)

Note 10 — Derivative Instruments and Hedging Activities

We are exposed to certain market risks related to our ongoing business operations. Management uses derivative financial and commodity instruments, among other things, to manage these risks. The primary risks managed by derivative instruments are (1) commodity price risk and (2) interest rate risk. Although we use derivative financial and commodity instruments to reduce market risk associated with forecasted transactions, we do not use derivative financial and commodity instruments for speculative or trading purposes. The use of derivative instruments is controlled by our risk management and credit policies which govern, among other things, the derivative instruments we can use, counterparty credit limits and contract authorization limits. Because most of our commodity derivative instruments are generally subject to regulatory ratemaking mechanisms, we have limited commodity price risk associated with our Gas Utility or Electric Utility operations. For more information on the accounting for our derivative instruments, see Note 2, “Summary of Significant Accounting Policies,” in the Company’s 2014 Annual Report.

Commodity Price Risk

Gas Utility’s tariffs contain clauses that permit recovery of all of the prudently incurred costs of natural gas it sells to retail core-market customers, including the cost of financial instruments used to hedge purchased gas costs. As permitted and agreed to by the PUC pursuant to Gas Utility’s annual PGC filings, Gas Utility currently uses New York Mercantile Exchange (“NYMEX”) natural gas futures and option contracts to reduce commodity price volatility associated with a portion of the natural gas it purchases for its retail core-market customers. At March 31, 2015 and 2014, the volumes of natural gas associated with Gas Utility’s unsettled NYMEX natural gas futures and option contracts totaled 9.7 million dekatherms and 9.0 million dekatherms, respectively. At March 31, 2015, the maximum period over which Gas Utility is economically hedging natural gas market price risk is 12 months. Gains and losses on natural gas futures contracts and any gains on natural gas option contracts are recorded in regulatory assets or liabilities on the Condensed Consolidated Balance Sheets because it is probable such gains or losses will be recoverable from, or refundable to, customers through the PGC recovery mechanism (see Note 5).

Electric Utility’s DS tariffs permit the recovery of all prudently incurred costs of electricity it sells to DS customers, including the cost of financial instruments used to hedge electricity costs. Electric Utility enters into forward electricity purchase contracts to meet a substantial portion of its electricity supply needs. For such contracts entered into by Electric Utility prior to March 1, 2015, Electric Utility chose not to elect the NPNS exception under GAAP related to these derivative instruments and the fair values of these contracts are reflected in current and noncurrent derivative instrument assets and liabilities in the accompanying Condensed Consolidated Balance Sheets. Associated gains and losses on these forward contracts are recorded in regulatory assets and liabilities on the Condensed Consolidated Balance Sheets in accordance with GAAP because it is probable such gains or losses will be recoverable from, or refundable to, customers through the DS mechanism (see Note 5). Effective with Electric Utility forward electricity purchase contracts entered into beginning March 1, 2015, Electric Utility will elect the NPNS exception under GAAP and, as a result, the fair values of such contracts will not be recognized on the balance sheet. At March 31, 2015 and 2014, the volumes of Electric Utility’s forward electricity purchase contracts were 384.4 million kilowatt hours and 207.0 million kilowatt hours, respectively. At March 31, 2015, the maximum period over which these contracts extend is 14 months.

In order to reduce volatility associated with a substantial portion of its electricity transmission congestion costs, Electric Utility obtains FTRs through an annual allocation process. Gains and losses on Electric Utility FTRs are recorded in regulatory assets or liabilities in accordance with GAAP because it is probable such gains or losses will be recoverable from, or refundable to, customers through the DS mechanism (see Note 5). At March 31, 2015 and 2014, the total volumes associated with FTRs totaled 58.1 million kilowatt hours and 47.4 million kilowatt hours, respectively. At March 31, 2015, the maximum period over which we are economically hedging electricity congestion is 2 months.

In order to reduce operating expense volatility, UGI Utilities from time to time enters into NYMEX gasoline futures and swap contracts for a portion of gasoline volumes expected to be used in the operation of its vehicles and equipment.

Interest Rate Risk

Our long-term debt typically is issued at fixed rates of interest. As these long-term debt issues mature, we typically refinance such debt with new debt having interest rates reflecting then-current market conditions. In order to reduce market rate risk on the underlying benchmark rate of interest associated with near- to medium-term forecasted issuances of fixed-rate debt, from time to time we enter into interest rate protection agreements (“IRPAs”). We account for IRPAs as cash flow hedges. As of March 31,

Notes to Condensed Consolidated Financial Statements
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2015 and 2014, we had no unsettled IRPAs. At March 31, 2015, the amount of net losses associated with IRPAs expected to be reclassified into earnings during the next twelve months is $2,609.

Derivative Instrument Credit Risk

Our natural gas exchange-traded futures contracts generally require cash deposits in margin accounts. At March 31, 2015, restricted cash in brokerage accounts totaled $5,578. At March 31, 2014, there was no restricted cash in brokerage accounts.

Fair Value of Derivative Instruments

The following table presents the Company's derivative assets and liabilities on a gross basis as of March 31, 2015 and 2014:

	March 31, 2015	March 31, 2014 (a)
Derivative assets:		
Derivatives subject to utility rate regulation:		
Commodity contracts	$ 613	$ 3,458
Derivatives not subject to utility rate regulation:		
Commodity contracts	—	68
Total derivative assets	$ 613	$ 3,526
Derivative liabilities:		
Derivatives subject to utility rate regulation:		
Commodity contracts	$ (5,168)	$ (677)
Derivatives not subject to utility rate regulation:		
Commodity contracts	(372)	—
Total derivative liabilities	$ (5,540)	$ (677)

(a) Certain immaterial amounts have been revised to correct the classification of derivatives.

Offsetting Derivative Assets and Liabilities

Derivative assets and liabilities are presented net by counterparty on our Condensed Consolidated Balance Sheets if the right of offset exists. Our derivative instruments include both those that are executed on an exchange through brokers and centrally cleared and over-the-counter transactions. Exchange contracts utilize a financial intermediary, exchange, or clearinghouse to enter, execute, or clear the transactions. Over-the-counter contracts are bilateral contracts that are transacted directly with a third party. Certain over-the-counter and exchange contracts contain contractual rights of offset through master netting arrangements, derivative clearing agreements, and contract default provisions. In addition, the contracts are subject to conditional rights of offset through counterparty nonperformance, insolvency, or other conditions.

In general, most of our over-the-counter transactions and all exchange contracts are subject to collateral requirements. Types of collateral generally include cash or letters of credit. Cash collateral paid by us to our over-the-counter derivative counterparties, if any, is reflected in the table below to offset derivative liabilities. Cash collateral received by us from our over-the-counter derivative counterparties, if any, is reflected in the table below to offset derivative assets. Certain other accounts receivable and accounts payable balances recognized on our Condensed Consolidated Balance Sheets with our derivative counterparties are not included in the table below but could reduce our net exposure to such counterparties because such balances are subject to master netting or similar arrangements.

Notes to Condensed Consolidated Financial Statements
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(Thousands of dollars)

The following table presents the Company's derivative assets and liabilities, as well as the effects of offsetting, as of March 31, 2015 and 2014:

	Gross Amounts Recognized	Gross Amounts Offset in Balance Sheet	Net Amounts Recognized	Cash Collateral (Received) Pledged	Net Amounts Recognized in Balance Sheet
March 31, 2015					
Derivative assets	$ 613	$ (1)	$ 612	$ —	$ 612
Derivative liabilities	$ (5,540)	$ 1	$ (5,539)	$ —	$ (5,539)
March 31, 2014					
Derivative assets	$ 3,526	$ (305)	$ 3,221	$ —	$ 3,221
Derivative liabilities	$ (677)	$ 305	$ (372)	$ —	$ (372)

Effect of Derivative Instruments

The following table provides information on the effects of derivative instruments on the Condensed Consolidated Statements of Income and changes in AOCI for the three and six months ended March 31, 2015 and 2014:

	Gain (Loss) Recognized in AOCI		Gain (Loss) Reclassified from AOCI into Income		Location of Gain (Loss) Reclassified from AOCI into Income
Three Months Ended March 31,	2015	2014	2015	2014	
Cash Flow Hedges:					
Interest rate contracts	$ —	$ —	$ (670)	$ (670)	Interest expense

	Gain (Loss) Recognized in Income		Location of Gain (Loss) Recognized in Income
Three Months Ended March 31,	2015	2014	
Derivatives Not Subject to Utility Rate Regulation:			
Gasoline contracts	$ (4)	$ (18)	Operating expenses/other operating income, net

	Gain (Loss) Recognized in AOCI		Gain (Loss) Reclassified from AOCI into Income		Location of Gain (Loss) Reclassified from AOCI into Income
Six Months Ended March 31,	2015	2014	2015	2014	
Cash Flow Hedges:					
Interest rate contracts	$ —	$ —	$ (1,339)	$ (1,339)	Interest expense

	Gain (Loss) Recognized in Income		Location of Gain (Loss) Recognized in Income
Six Months Ended March 31,	2015	2014	
Derivatives Not Subject to Utility Rate Regulation:			
Gasoline contracts	$ (526)	$ 79	Operating expenses/other operating income, net

We are also a party to a number of other contracts that have elements of a derivative instrument. These contracts include, among others, binding purchase orders, contracts which provide for the purchase and delivery of natural gas and electricity, and service contracts that require the counterparty to provide commodity storage, transportation or capacity service to meet our normal sales commitments. Although many of these contracts have the requisite elements of a derivative instrument, these contracts qualify for normal purchase and normal sale exception accounting under GAAP because they provide for the delivery of products or services in quantities that are expected to be used in the normal course of operating our business and the price in the contract is based on an underlying that is directly associated with the price of the product or service being purchased or sold.

(Thousands of dollars)

Note 11 — Accumulated Other Comprehensive Income

The tables below present changes in AOCI, net of tax, during the three and six months ended March 31, 2015 and 2014:

	Postretirement Benefit Plans	Derivative Instruments	Total
Three Months Ended March 31, 2015			
AOCI - December 31, 2014	$ (6,180)	$ (1,479)	$ (7,659)
Reclassifications of benefit plan actuarial losses and prior service cost	129	—	129
Reclassifications of net losses on interest rate protection agreements	—	392	392
AOCI - March 31, 2015	$ (6,051)	$ (1,087)	$ (7,138)
Three Months Ended March 31, 2014			
AOCI - December 31, 2013	$ (5,185)	$ (3,046)	$ (8,231)
Reclassifications of benefit plan actuarial losses and prior service cost	95	—	95
Reclassifications of net losses on interest rate protection agreements	—	392	392
AOCI - March 31, 2014	$ (5,090)	$ (2,654)	$ (7,744)

	Postretirement Benefit Plans	Derivative Instruments	Total
Six Months Ended March 31, 2015			
AOCI - September 30, 2014	$ (6,311)	$ (1,870)	$ (8,181)
Reclassifications of benefit plan actuarial losses and prior service cost	260	—	260
Reclassifications of net losses on interest rate protection agreements	—	783	783
AOCI - March 31, 2015	$ (6,051)	$ (1,087)	$ (7,138)
Six Months Ended March 31, 2014			
AOCI - September 30, 2013	$ (5,283)	$ (3,437)	$ (8,720)
Reclassifications of benefit plan actuarial losses and prior service cost	193	—	193
Reclassifications of net losses on interest rate protection agreements	—	783	783
AOCI - March 31, 2014	$ (5,090)	$ (2,654)	$ (7,744)

Note 12 — Related Party Transactions

UGI provides certain financial and administrative services to UGI Utilities. UGI bills UGI Utilities monthly for all direct expenses incurred by UGI on behalf of UGI Utilities and an allocated share of indirect corporate expenses incurred or paid with respect to services provided to UGI Utilities. The allocation of indirect UGI corporate expenses to UGI Utilities utilizes a weighted, three-component formula comprising revenues, operating expenses and net assets employed and considers UGI Utilities' relative percentage of such items to the total of such items for all UGI operating subsidiaries for which general and administrative services are provided. Management believes that this allocation method is reasonable and equitable to UGI Utilities and this allocation method has been accepted by the PUC in past rate case proceedings and management audits as a reasonable method of allocating such expenses. These billed expenses are classified as operating and administrative expenses - related parties in the Condensed Consolidated Statements of Income. In addition, UGI Utilities provides limited administrative services to UGI and certain of UGI's subsidiaries. Amounts billed to these entities by UGI Utilities for all periods presented were not material.

UGI Utilities is a party to two SCAAs with Energy Services which have terms of three years. Under the SCAAs, UGI Utilities has, among other things, and subject to recall for operational purposes, released certain storage and transportation contracts to Energy Services for the terms of the SCAAs. UGI Utilities also transferred certain associated storage inventories upon the commencement of the SCAAs, receives a transfer of storage inventories at the end of the SCAAs, and makes payments associated with refilling storage inventories during the term of the SCAAs. Energy Services, in turn, provides a firm delivery service and makes certain payments to UGI Utilities for its various obligations under the SCAAs. UGI Utilities incurred costs associated with Energy Services' SCAAs totaling $251 and $5,207 during the three and six months ended March 31, 2015, respectively, and $248 and $6,695 during the three and six months ended March 31, 2014, respectively. In conjunction with the SCAAs, UGI Utilities received security deposits from Energy Services. The amount of such security deposits, which are included in other current liabilities on the Condensed Consolidated Balance Sheets, was $10,700, $10,600, and $10,600 as of March 31, 2015, September 30, 2014 and March 31, 2014, respectively.

UGI Utilities reflects the historical cost of the gas storage inventories and any exchange receivable from Energy Services (representing amounts of natural gas inventories used but not yet replenished by Energy Services) on its balance sheet under the caption inventories. The carrying value of these gas storage inventories at March 31, 2015, September 30, 2014 and March 31, 2014, comprising 0.9 bcf, 7.7 bcf and 1.1 bcf of natural gas, was $3,391, $33,057 and $4,653, respectively.

UGI Utilities has gas supply and delivery service agreements with Energy Services pursuant to which Energy Services provides certain gas supply and related delivery service to Gas Utility principally during the heating season months of November through March. The capacity charges for these transactions (exclusive of transactions pursuant to the SCAAs) during the three and six months ended March 31, 2015 totaled $19,286 and $43,033, respectively. During the three and six months ended March 31, 2014, such transactions totaled $13,330 and $32,708, respectively, and are reflected in cost of sales.

From time to time, the Company sells natural gas or pipeline capacity to Energy Services. During the three and six months ended March 31, 2015, revenues associated with such sales to Energy Services totaled $46,227 and $62,417, respectively. During the three and six months ended March 31, 2014, revenues associated with such sales to Energy Services totaled $75,133 and $92,249, respectively. Also from time to time, the Company purchases natural gas, pipeline capacity and electricity from Energy Services (in addition to those transactions already described above) and purchases a firm storage service from UGI Storage Company, a subsidiary of Energy Services, under one-year agreements. During the three and six months ended March 31, 2015, such purchases totaled $49,750 and $71,525, respectively. During the three and six months ended March 31, 2014, such purchases totaled $70,619 and $92,697, respectively.

Note 13 — Segment Information

We have determined that we have two reportable segments: (1) Gas Utility and (2) Electric Utility. Gas Utility revenues are derived principally from the sale and distribution of natural gas to customers in eastern, northeastern and central Pennsylvania. Electric Utility derives its revenues principally from the sale and distribution of electricity in two northeastern Pennsylvania counties. The HVAC Business does not meet the quantitative thresholds for separate segment reporting under GAAP relating to business segment reporting and has been included in "Other" below.

The accounting policies of our reportable segments are the same as those described in Note 2 of the Company's 2014 Annual Report. We evaluate the performance of our Gas Utility and Electric Utility segments principally based upon their income before income taxes.

No single customer represents more than ten percent of our consolidated revenues and there are no significant intersegment transactions. In addition, all of our reportable segments' revenues are derived from sources within the United States, and all of our reportable segments' long-lived assets are located in the United States.

UGI UTILITIES, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements
(unaudited)
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Financial information by business segment follows:

Three Months Ended March 31, 2015:

	Total	Reportable Segments		Other
		Gas Utility	Electric Utility	
Revenues	$ 500,573	$ 468,000	$ 32,323	$ 250
Cost of sales	$ 278,336	$ 258,155	$ 20,181	$ —
Depreciation and amortization	$ 15,644	$ 14,489	$ 1,155	$ —
Operating income (loss)	$ 142,699	$ 139,303	$ 3,510	$ (114)
Interest expense	$ 10,611	$ 10,104	$ 507	$ —
Income (loss) before income taxes	$ 132,088	$ 129,199	$ 3,003	$ (114)
Capital expenditures	$ 41,280	$ 39,202	$ 2,078	$ —

Three Months Ended March 31, 2014:

	Total	Reportable Segments		Other
		Gas Utility	Electric Utility	
Revenues	$ 513,956	$ 480,163	$ 33,552	$ 241
Cost of sales	$ 300,424	$ 278,748	$ 21,676	$ —
Depreciation and amortization	$ 14,643	$ 13,575	$ 1,068	$ —
Operating income (loss)	$ 137,954	$ 134,560	$ 3,492	$ (98)
Interest expense	$ 8,806	$ 8,362	$ 444	$ —
Income (loss) before income taxes	$ 129,148	$ 126,198	$ 3,048	$ (98)
Capital expenditures	$ 31,648	$ 30,039	$ 1,609	$ —

Six Months Ended March 31, 2015:

	Total	Reportable Segments		Other
		Gas Utility	Electric Utility	
Revenues	$ 787,879	$ 728,478	$ 58,746	$ 655
Cost of sales	$ 421,388	$ 385,363	$ 36,025	$ —
Depreciation and amortization	$ 31,069	$ 28,769	$ 2,300	$ —
Operating income (loss)	$ 218,339	$ 211,149	$ 7,229	$ (39)
Interest expense	$ 21,260	$ 20,234	$ 1,026	$ —
Income (loss) before income taxes	$ 197,079	$ 190,915	$ 6,203	$ (39)
Capital expenditures	$ 96,309	$ 92,694	$ 3,615	$ —
As of March 31, 2015				
Total assets (at period end)	$ 2,506,043	$ 2,359,060	$ 146,983	$ —
Goodwill (at period end)	$ 182,145	$ 182,145	$ —	$ —

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Six Months Ended March 31, 2014:

	Total	Reportable Segments		Other
		Gas Utility	Electric Utility	
Revenues	$ 812,855	$ 751,725	$ 60,513	$ 617
Cost of sales	$ 452,289	$ 414,235	$ 38,054	$ —
Depreciation and amortization	$ 29,093	$ 26,959	$ 2,134	$ —
Operating income	$ 223,797	$ 216,613	$ 7,181	$ 3
Interest expense	$ 17,603	$ 16,748	$ 855	$ —
Income before income taxes	$ 206,194	$ 199,865	$ 6,326	$ 3
Capital expenditures	$ 65,902	$ 62,851	$ 3,051	$ —
As of March 31, 2014				
Total assets (at period end)	$ 2,340,617	$ 2,195,437	$ 145,180	$ —
Goodwill (at period end)	$ 182,145	$ 182,145	$ —	$ —

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-Looking Statements

Information contained in this Quarterly Report on Form 10-Q may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Such statements use forward-looking words such as “believe,” “plan,” “anticipate,” “continue,” “estimate,” “expect,” “may,” or other similar words. These statements discuss plans, strategies, events or developments that we expect or anticipate will or may occur in the future.

A forward-looking statement may include a statement of the assumptions or bases underlying the forward-looking statement. We believe that we have chosen these assumptions or bases in good faith and that they are reasonable. However, we caution you that actual results almost always vary from assumed facts or bases, and the differences between actual results and assumed facts or bases can be material, depending on the circumstances. When considering forward-looking statements, you should keep in mind the following important factors that could affect our future results and could cause those results to differ materially from those expressed in our forward-looking statements: (1) adverse weather conditions resulting in reduced demand; (2) price volatility and availability of oil, electricity and natural gas and the capacity to transport them to market areas; (3) changes in laws and regulations, including safety, tax, consumer protection and accounting matters; (4) inability to timely recover costs through utility rate proceedings; (5) the impact of pending and future legal proceedings; (6) competitive pressures from the same and alternative energy sources; (7) liability for environmental claims; (8) customer conservation measures due to high energy prices and improvements in energy efficiency and technology resulting in reduced demand; (9) adverse labor relations; (10) large customer, counterparty or supplier defaults; (11) increased uncollectible accounts expense; (12) liability for personal injury and property damage arising from explosions and other catastrophic events, including acts of terrorism, resulting from operating hazards and risks incidental to generating and distributing electricity and transporting, storing and distributing natural gas, including liability in excess of insurance coverage; (13) political, regulatory and economic conditions in the United States; (14) capital market conditions, including reduced access to capital markets and interest rate fluctuations; and (15) changes in commodity market prices resulting in significantly higher cash collateral requirements.

These factors, and those factors set forth in Item 1A. Risk Factors in the Company’s 2014 Annual Report, are not necessarily all of the important factors that could cause actual results to differ materially from those expressed in any of our forward-looking statements. Other unknown or unpredictable factors could also have material adverse effects on future results. We undertake no obligation to update publicly any forward-looking statement whether as a result of new information or future events except as required by the federal securities laws.

ANALYSIS OF RESULTS OF OPERATIONS

The following analyses compare our results of operations for the three months ended March 31, 2015 (“2015 three-month period”) with the three months ended March 31, 2014 (“2014 three-month period”) and the six months ended March 31, 2015 (“2015 six-month period”) with the six months ended March 31, 2014 (“2014 six-month period”). Our analyses of results of operations should be read in conjunction with the segment information included in Note 13 to the condensed consolidated financial statements.

2015 three-month period compared with 2014 three-month period

Three Months Ended March 31,	2015	2014	Increase (Decrease)	
(Millions of dollars)				
Gas Utility:				
Revenues	$ 468.0	$ 480.2	$ (12.2)	(2.5)%
Total margin (a)	$ 209.8	$ 201.4	$ 8.4	4.2 %
Operating and administrative expenses	$ 57.1	$ 52.4	$ 4.7	9.0 %
Operating income	$ 139.3	$ 134.6	$ 4.7	3.5 %
Income before income taxes	$ 129.2	$ 126.2	$ 3.0	2.4 %
System throughput — billions of cubic feet (“bcf”)				
Core market	44.3	41.8	2.5	6.0 %
Total	81.0	78.5	2.5	3.2 %
Heating degree days — % colder than normal (b)	22.1%	19.3%	—	—
Electric Utility:				
Revenues	$ 32.3	$ 33.6	$ (1.3)	(3.9)%
Total margin (a)	$ 10.4	$ 10.1	$ 0.3	3.0 %
Operating and administrative expenses	$ 5.6	$ 5.3	$ 0.3	5.7 %
Operating income	$ 3.5	$ 3.5	$ —	— %
Income before income taxes	$ 3.0	$ 3.0	$ —	— %
Distribution sales — millions of kilowatt-hours (“gwh”)	299.9	301.7	(1.8)	(0.6)%

(a) Gas Utility’s total margin represents total revenues less total cost of sales. Electric Utility’s total margin represents total revenues less total cost of sales and revenue-related taxes, i.e. Electric Utility gross receipts taxes, of $1.7 million and $1.8 million during the three months ended March 31, 2015 and 2014, respectively. For financial statement purposes, revenue-related taxes are included in taxes other than income taxes in the Condensed Consolidated Statements of Income.

(b) Deviation from average heating degree days for the 15-year period 1995-2009 based upon weather statistics provided by the National Oceanic and Atmospheric Administration (“NOAA”) for airports located within Gas Utility’s service territory.

Gas Utility

Temperatures in the Gas Utility service territory during the 2015 three-month period based upon heating degree days were 22.1% colder than normal and 2.3% colder than the prior-year three-month period. Total distribution system throughput increased 2.5 bcf (3.2%) principally reflecting higher core market volumes due to an increase in heating degree days and 1.7% year-over-year growth in the number of core market customers. Gas Utility’s core market customers comprise firm- residential, commercial and industrial (“retail core-market”) customers who purchase their gas from Gas Utility and, to a much lesser extent, residential and small commercial customers who purchase their gas from alternate suppliers.

Gas Utility revenues decreased $12.2 million during the 2015 three-month period principally reflecting lower revenues from off-system sales ($25.9 million) partially offset by higher revenues from core market customers ($16.3 million). The increase in core market revenues principally reflects the effects of the higher core market throughput offset by slightly lower average purchased gas cost (“PGC”) rates during the 2015 three-month period. Increases or decreases in retail core-market revenues and cost of sales principally result from changes in retail core-market volumes, distribution rates and PGC gas rates. Under the PGC recovery mechanism, Gas Utility records the cost of gas associated with sales to retail core-market customers at amounts included in PGC rates. The difference between actual gas costs and the amounts included in rates is deferred on the balance sheet as a regulatory asset or liability and represents amounts to be collected from or refunded to customers in a future period. As a result of this PGC recovery mechanism, increases or decreases in the cost of gas associated with retail core-market customers have no direct effect on retail core-market margin. Gas Utility's cost of sales was $258.2 million in the 2015 three-month period compared with $278.7 million in the 2014 three-month period principally reflecting the effects of the lower off-system sales ($25.9 million) and lower average PGC rates ($4.4 million) partially offset by higher core-market volumes sold ($11.5 million).

Gas Utility 2015 three-month period total margin increased $8.4 million principally reflecting higher core market total margin ($9.1 million). The higher core market total margin reflects the effects of the previously mentioned colder weather on heating related sales and continued customer growth.

Gas Utility operating income and income before income taxes during the 2015 three-month period increased $4.7 million and $3.0 million, respectively, over the 2014 three-month period. The increase in Gas Utility operating income principally reflects the $8.4 million increase in total margin and increased other operating income, offset by higher operating and administrative expenses and slightly higher depreciation expense. Operating and administrative expenses were modestly higher than the prior-year period principally reflecting, among other things, higher 2015 three-month period distribution system maintenance ($1.6 million), and employee benefit and information technology expenses. Gas Utility other operating income increased due primarily to a reduction in out-of-state environmental remediation reserves. The increase in Gas Utility income before income taxes reflects the higher operating income partially offset by higher interest expense.

Electric Utility

Temperatures based upon heating degree days during the 2015 three-month period were approximately 18.6% colder than normal and 1.8% colder than the prior-year period. Electric Utility experienced a slight decrease in kilowatt-hour sales as customer conservation offset the effects on sales from the slightly colder weather. Electric Utility revenues decreased due primarily to lower average default service ("DS") rates partially offset by higher transmission revenue. Electric Utility cost of sales decreased to $20.2 million in the 2015 three-month period from $21.7 million in the 2014 three-month period principally reflecting the effects of the lower average DS rates and the lower volumes sold.

Electric Utility total margin increased slightly principally reflecting the increase in transmission revenue. Electric Utility operating income and income before income taxes in the 2015 three-month period were comparable to the prior-year period as the increase in Electric Utility margin was offset by slightly higher operating and depreciation expenses.

Interest Expense and Income Taxes

Our interest expense in the 2015 three-month period was higher than the prior year principally reflecting interest on the 4.98% Senior Notes due March 2044 issued in March 2014 the proceeds of which were used to refinance UGI Utilities' 364-day Term Loan Credit Agreement. Our effective income tax rate for the three months ended March 31, 2015 was slightly lower than the prior-year three-month period.

2015 six-month period compared with 2014 six-month period

Six Months Ended March 31,		2015		2014		Increase (Decrease)	
Gas Utility:							
Revenues	$	728.5	$	751.7	$	(23.2)	(3.1)%
Total margin (a)	$	343.1	$	337.5	$	5.6	1.7 %
Operating and administrative expenses	$	102.1	$	91.0	$	11.1	12.2 %
Operating income	$	211.1	$	216.6	$	(5.5)	(2.5)%
Income before income taxes	$	190.9	$	199.9	$	(9.0)	(4.5)%
System throughput — billions of cubic feet (“bcf”)							
Core market		67.5		65.9		1.6	2.4 %
Total		137.8		135.3		2.5	1.8 %
Heating degree days — % colder than normal (b)		11.2%		12.5%		—	—
Electric Utility:							
Revenues	$	58.7	$	60.5	$	(1.8)	(3.0)%
Total margin (a)	$	19.5	$	19.2	$	0.3	1.6 %
Operating and administrative expenses	$	9.6	$	9.4	$	0.2	2.1 %
Operating income	$	7.2	$	7.2	$	—	— %
Income before income taxes	$	6.2	$	6.3	$	(0.1)	(1.6)%
Distribution sales — millions of kilowatt-hours (“gwh”)		544.7		558.1		(13.4)	(2.4)%

(a) Gas Utility’s total margin represents total revenues less total cost of sales. Electric Utility’s total margin represents total revenues less total cost of sales and revenue-related taxes, i.e. Electric Utility gross receipts taxes, of $3.2 million and $3.3 million during the six months ended March 31, 2015 and 2014, respectively. For financial statement purposes, revenue-related taxes are included in taxes other than income taxes in the Condensed Consolidated Statements of Income.

(b) Deviation from average heating degree days for the 15-year period 1995-2009 based upon weather statistics provided by the National Oceanic and Atmospheric Administration (“NOAA”) for airports located within Gas Utility’s service territory.

Gas Utility

Temperatures in Gas Utility’s service territory in the 2015 six-month period based upon heating degree days were 11.2% colder than normal and 1.1% warmer than the 2014 six-month period. Total distribution system throughput increased 2.5 bcf (1.8%), notwithstanding the slightly warmer weather, principally reflecting 1.7% year-over-year growth in the number of core market customers.

Gas Utility revenues decreased $23.2 million during the 2015 six-month period principally reflecting lower revenues from off-system sales ($28.8 million) partially offset by higher revenues from core market customers ($8.2 million). The increase in core market revenues principally reflects the effects of the higher core market throughput offset by slightly lower average PGC rates during the 2015 six-month period. Gas Utility’s cost of sales was $385.4 million in the 2015 six-month period compared with $414.2 million in the 2014 six-month period principally reflecting the effects of the lower off-system sales ($28.8 million).

Gas Utility 2015 six-month period total margin increased $5.6 million principally reflecting higher core market total margin ($6.2 million). The higher core market total margin reflects the effects of the previously mentioned year-over-year customer growth.

Gas Utility operating income and income before income taxes during the 2015 six-month period decreased $5.5 million and $9.0 million, respectively. The decrease in Gas Utility operating income principally reflects an $11.1 million increase in operating and administrative expenses and slightly higher depreciation expenses partially offset by the $5.6 million increase in total margin and, to a much lesser extent, slightly higher other operating income. Operating and administrative expenses were higher than the prior year principally reflecting, among other things, higher 2015 six-month period distribution system maintenance ($4.3 million), and employee benefit and information technology expenses. The decrease in Gas Utility income before income taxes reflects the lower operating income ($5.5 million) and slightly higher interest expense.

Electric Utility

Temperatures based upon heating degree days during the 2015 six-month period were approximately 7.3% colder than normal and approximately 2.2% warmer than the prior year. The decrease in kilowatt-hour sales reflects in large part the effects of the warmer weather on heating related sales in addition to customer conservation. The slight decrease in Electric Utility revenues primarily reflects the lower sales partially offset by slightly higher transmission revenue. Electric Utility cost of sales decreased to $36.0 million in the 2015 six-month period from $38.1 million in the 2014 six-month period principally reflecting the effects of the lower total sales.

Electric Utility total margin increased slightly principally reflecting the increase in transmission revenue. Electric Utility operating income and income before income taxes in the 2015 six-month period were comparable to the prior-year period as the slight increase in total margin was offset by slightly higher operating, administrative and depreciation expense.

Interest Expense and Income Taxes

Our interest expense in the 2015 six-month period was higher than the prior year principally reflecting interest on the 4.98% Senior Notes due March 2044 issued in March 2014 the proceeds of which were used to refinance UGI Utilities’ 364-day Term Loan Credit Agreement. Our effective income tax rate for the six months ended March 31, 2015 was slightly lower than the prior-year six-month period.

FINANCIAL CONDITION AND LIQUIDITY

UGI Utilities’ total debt outstanding at March 31, 2015, was $672.5 million, which includes $30.5 million of short-term borrowings, compared with total debt outstanding of $728.3 million at September 30, 2014, which includes $86.3 million of short-term borrowings. Total long-term debt outstanding at March 31, 2015, comprises $450.0 million of Senior Notes and $192.0 million of Medium-Term Notes.

On March 27, 2015, UGI Utilities entered into an unsecured revolving credit agreement (the “UGI Utilities 2015 Credit Agreement”) with a group of banks providing for borrowings up to $300 million (including a $100 million sublimit for letters of credit). Concurrently with entering into the UGI Utilities 2015 Credit Agreement, UGI Utilities terminated its then-existing $300 million revolving credit agreement dated as of May 25, 2011. Under the UGI Utilities 2015 Credit Agreement, UGI Utilities may borrow at various prevailing market interest rates, including LIBOR and the banks’ prime rate, plus a margin. The margin on such borrowings ranges from 0.0% to 1.75% and is based upon the credit ratings of certain indebtedness of UGI Utilities. The UGI Utilities 2015 Credit Agreement requires UGI Utilities not to exceed a ratio of Consolidated Debt to Consolidated Total Capital, as defined, of 0.65 to 1.0. The UGI Utilities 2015 Credit Agreement is currently scheduled to expire in March 2016, but may be extended by UGI Utilities to March 2020 if on or before March 25, 2016, the Company satisfies certain requirements relating to approval by the Pennsylvania Public Utility Commission. The Company intends to seek such regulatory approval.

Borrowings under the UGI Utilities 2015 Credit Agreement and the predecessor credit agreement are classified as short-term borrowings on the Consolidated Balance Sheets. During the 2015 and 2014 six-month periods, average daily short-term borrowings were $108.9 million and $45.6 million, respectively, and peak short-term borrowings totaled $163.6 million and $84.0 million, respectively. At March 31, 2015, UGI Utilities’ available borrowing capacity under the UGI Utilities 2015 Credit Agreement was $267.5 million. Peak short-term borrowings typically occur during the heating season months of December and January when UGI Utilities’ investment in working capital, principally accounts receivable and inventories, is generally greatest.

We believe that we have sufficient liquidity in the forms of cash and cash equivalents on hand, cash expected to be generated from Gas Utility and Electric Utility operations, short-term borrowings available under the UGI Utilities 2015 Credit Agreement and the ability to refinance long-term debt as it matures to meet our anticipated contractual and projected cash commitments.

Cash Flows

Operating activities. Due to the seasonal nature of UGI Utilities’ businesses, cash flows from our operating activities are generally greatest during the second and third fiscal quarters when customers pay for natural gas and electricity consumed during the peak heating season months. Conversely, operating cash flows are generally at their lowest levels during the first and fourth fiscal quarters when the Company’s investment in working capital, principally accounts receivable and inventories, is generally greatest. UGI Utilities uses borrowings under its Credit Agreement to manage seasonal cash flow needs.

Cash provided by operating activities was $197.2 million in the 2015 six-month period compared to $123.2 million in the prior-year six-month period. Cash flow from operating activities before changes in operating working capital was $147.1 million in the 2015 six-month period comparable to the $171.7 million recorded in the prior-year six-month period. Changes in operating working capital used $50.0 million of operating cash flow during the 2015 six-month period compared to $48.5 million of cash used during the prior-year six-month period. Among other things, cash flows from changes in operating working capital includes $55.8 million of cash flow from overcollections of gas costs under the PGC mechanism during the 2015 six-month period compared to undercollections of gas costs of $10.2 million during the prior-year period. The significantly higher overcollections in the current-year period reflects the impact of significant declines in natural gas prices.

Investing activities. Cash used by investing activities was $107.7 million in the 2015 six-month period compared to $65.7 million in the 2013 six-month period. Total cash capital expenditures were $102.0 million in the 2015 six-month period compared with $65.9 million recorded in the prior-year six-month period. The increase in the 2015 six-month period principally reflects higher Gas Utility growth and maintenance capital expenditures. Changes in restricted cash in futures brokerage accounts used $2.0 million of cash in the 2015 six-month period period compared with cash provided of $3.2 million in the prior-year period.

Financing activities. Cash used by financing activities was $85.8 million in the 2015 six-month period compared with $48.0 million in the 2014 six-month period. Financing activity cash flows are primarily the result of net borrowings and repayments under our Credit Agreement, cash dividends paid to UGI and capital contributions from UGI. During the 2015 six-month period there were net Credit Agreement repayments of $55.8 million compared with net repayments of $11.0 million during the prior-year six-month period. The higher Credit Agreement repayments in the 2015 six-month period reflects the use of a portion of the previously mentioned increase in 2015 six-month period cash flow from operating activities. Cash dividends in the 2015 six-month period totaled $30.6 million compared to cash dividends of $37.7 million in the prior-year six-month period.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our primary market risk exposures are (1) commodity price risk and (2) interest rate risk. Although we use derivative financial and commodity instruments to reduce market price risk associated with forecasted transactions, we do not use derivative financial and commodity instruments for speculative or trading purposes.

Commodity Price Risk

Gas Utility’s tariffs contain clauses that permit recovery of all of the prudently incurred costs of natural gas it sells to its customers, including the cost of financial instruments used to hedge purchased gas costs. The recovery clauses provide for periodic adjustments for the difference between the total amounts actually collected from customers through PGC rates and the recoverable costs incurred. Because of this ratemaking mechanism, there is limited commodity price risk associated with our Gas Utility operations. Gas Utility uses derivative financial instruments including natural gas futures and option contracts traded on the NYMEX to reduce volatility in the cost of gas it purchases for its retail core-market customers. The cost of these derivative financial instruments, net of any associated gains or losses, is included in Gas Utility’s PGC recovery mechanism. The change in market value of natural gas futures contracts can require daily deposits of cash in futures accounts. At March 31, 2015 and 2014, the fair values of our natural gas futures and option contracts were gains (losses) of $(3.4) million and $2.4 million, respectively.

Electric Utility’s DS tariffs contain clauses which permit recovery of all prudently incurred power costs, including the cost of financial instruments used to hedge electricity costs, through the application of DS rates. Because of this ratemaking mechanism, there is limited power cost risk, including the cost of FTRs and forward electricity purchase contracts, associated with our Electric Utility operations. At March 31, 2015 and 2014, the fair values of Electric Utility’s electricity supply contracts were gains (losses) of $(1.2) million and $0.4 million, respectively. At March 31, 2015 and 2014, the fair values of FTRs were not material.

In addition, Gas Utility and Electric Utility from time to time enter into exchange-traded gasoline futures and swap contracts for a portion of gasoline volumes expected to be used in their operations. These gasoline futures and swap contracts are recorded at fair value with changes in fair value reflected in net income.

At March 31, 2015, UGI Utilities had $5.6 million of restricted cash in commodity brokerage accounts. At March 31, 2014, UGI Utilities had no restricted cash in commodity brokerage accounts.

Interest Rate Risk

In order to reduce interest rate risk associated with near- or medium-term issuances of fixed-rate debt, from time to time we enter into IRPAs. There were no unsettled IRPAs outstanding at March 31, 2015 and 2014.

ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

The Company's disclosure controls and procedures are designed to provide reasonable assurance that the information required to be disclosed by the Company in reports filed or submitted 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 Principal Financial Officer, as appropriate to allow timely decisions regarding required disclosure. The Company's management, with the participation of the Company's Chief Executive Officer and Principal 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 Principal Financial Officer concluded that the Company's disclosure controls and procedures, as of the end of the period covered by this Report, were effective at the reasonable assurance level.

(b) Change in Internal Control over Financial Reporting

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.

UGI UTILITIES, INC. AND SUBSIDIARIES

PART II OTHER INFORMATION

ITEM 1A. RISK FACTORS

In addition to the information presented in this report, you should carefully consider the factors discussed in Part I, “Item 1A. Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended September 30, 2014, which could materially affect our business, financial condition or future results. The risks described in our Annual Report on Form 10-K are not the only risks facing the Company. Other unknown or unpredictable factors could also have material adverse effects on future results.

ITEM 6. EXHIBITS

The exhibits filed as part of this report are as follows:

Exhibit No.	Exhibit	Registrant	Filing	Exhibit
10.1	Form of UGI Corporation 2013 Omnibus Incentive Compensation Plan, Performance Unit Grant Letter for UGI Utilities Employees, dated January 1, 2015.			
10.2	Form of UGI Corporation 2013 Omnibus Incentive Compensation Plan Nonqualified Stock Option Grant Letter for UGI Utilities Employees, dated January 1, 2015.			
10.3	Credit Agreement, dated as of March 27, 2015 among UGI Utilities, Inc., as borrower, PNC Bank, National Association, as administrative agent, Citizens Bank of Pennsylvania, as syndication agent, PNC Capital Markets LLC and Citizens Bank, N.A., as joint lead arrangers and joint bookrunners, and PNC Bank, National Association, Citizens Bank of Pennsylvania, Citibank, N.A., Credit Suisse AG, Cayman Islands Branch, JPMorgan Chase Bank, N.A., Wells Fargo Bank, National Association, The Bank of New York Mellon, Bank of America, N.A., and the other financial institutions from time to time parties thereto.	Utilities	Form 8-K (3/27/15)	10.1
12.1	Computation of ratio of earnings to fixed charges			
31.1	Certification by the Chief Executive Officer relating to the Registrant’s Report on Form 10-Q for the quarter ended March 31, 2015, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.			
31.2	Certification by the Principal Financial Officer relating to the Registrant’s Report on Form 10-Q for the quarter ended March 31, 2015, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.			
32	Certification by the Chief Executive Officer and the Principal Financial Officer relating to the Registrant’s Report on Form 10-Q for the quarter ended March 31, 2015, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.			
101.INS	XBRL.Instance			
101.SCH	XBRL Taxonomy Extension Schema			
101.CAL	XBRL Taxonomy Extension Calculation Linkbase			
101.DEF	XBRL Taxonomy Extension Definition Linkbase			
101.LAB	XBRL Taxonomy Extension Labels Linkbase			
101.PRE	XBRL Taxonomy Extension Presentation Linkbase			

SIGNATURES

Pursuant to the requirements 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 Utilities, Inc. (Registrant)
Date: May 8, 2015	By: /s/ Ann P. Kelly Ann P. Kelly Controller (Principal Accounting Officer)

UGI UTILITIES, INC. AND SUBSIDIARIES

EXHIBIT INDEX

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101.LAB	XBRL Taxonomy Extension Labels Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

EXHIBIT 10.1

Utilities Employees

UGI CORPORATION
2013 OMNIBUS INCENTIVE COMPENSATION PLAN
PERFORMANCE UNIT GRANT LETTER

This PERFORMANCE UNIT GRANT, dated January 1, 2015 (the "Date of Grant"), is delivered by UGI Corporation ("UGI") to you (the "Participant").

RECITALS

The UGI Corporation 2013 Omnibus Incentive Compensation Plan (the "Plan") provides for the grant of performance units ("Performance Units") with respect to shares of common stock of UGI ("Shares"). The Compensation and Management Development Committee of the Board of Directors of UGI (the "Committee") has decided to grant Performance Units to the Participant. The Participant's portal in the Morgan Stanley website for Plan participants (the "Grant Summary") sets forth the number of Performance Units granted to the Participant with respect to this grant.

NOW, THEREFORE, the parties to this Grant Letter, intending to be legally bound hereby, agree as follows:

1. Grant of Performance Units. Subject to the terms and conditions set forth in this Grant Letter and in the Plan, the Committee hereby grants to the Participant a target award of the number of Performance Units specified in the Grant Summary (the "Target Award"). The Performance Units are contingently awarded and will be earned and payable if and to the extent that the Performance Goals (defined below) and other conditions of the Grant Letter are met. The Performance Units are granted with Dividend Equivalents (as defined in Section 7).

2. Performance Goals.

(a) The Participant shall earn the right to payment of the Performance Units if the Performance Goals are met for the Performance Period, and if the Participant continues to be employed by, or provide service to, the Company (as defined in Section 7) through December 31, 2017. The Performance Period is the period beginning January 1, 2015 and ending December 31, 2017. The Total Shareholder Return ("TSR") goals and other requirements of this Section 2 are referred to as the "Performance Goals."

(b) The Target Award level of Performance Units and Dividend Equivalents will be payable if UGI's TSR equals the median TSR of the comparison group designated by the Committee (the "Peer Group") for the Performance Period. The Peer Group is the group of companies that comprises the Russell Midcap Utilities Index, excluding telecommunications companies, as of the beginning of the Performance Period, as set forth on the attached Exhibit A, and as described herein. If a company is added to the Russell Midcap Utilities Index during the

Performance Period, that company is not included in the TSR calculation. A company that is included in the Russell Midcap Utilities Index at the beginning of the Performance Period will be removed from the TSR calculation only if the company ceases to exist as a publicly traded company during the Performance Period (including by way of a merger or similar transaction in which the company is not the surviving company), consistent with the methodology described in subsection (c) below. Companies that are designated at the beginning of the Performance Period as telecommunications companies in the Russell Midcap Utilities Index shall be excluded from the TSR calculation. The actual amount of the award of Performance Units may be higher or lower than the Target Award, or it may be zero, based on UGI's TSR percentile rank relative to the companies in the Peer Group, as follows:

UGI's TSR Rank (Percentile)	Percentage of Target Award Earned
90th	200%
75th	162.5%
60th	125%
50th	100%
40th	70%
25th	25%
Less than 25th	0%

The award percentage earned will be interpolated between each of the measuring points.

(c) TSR shall be calculated by UGI using the comparative returns methodology used by Bloomberg L.P. or its successor at the time of the calculation. The share price used for determining TSR at the beginning and the end of the Performance Period will be the average price for the calendar quarter preceding the beginning of the Performance Period (i.e., the calendar quarter ending on December 31, 2014) and the calendar quarter ending on the last day of the Performance Period (i.e., the calendar quarter ending on December 31, 2017), respectively. The TSR calculation gives effect to all dividends throughout the three-year Performance Period as if they had been reinvested.

(d) The Target Award is the amount designated for 100% (50th TSR rank) performance. The Participant can earn up to 200% of the Target Award if UGI's TSR percentile rank exceeds the 50th TSR percentile rank, according to the foregoing schedule.

(e) At the end of the Performance Period, the Committee will determine whether and to what extent the Performance Goals have been met and the amount to be paid with respect to the Performance Units. Except as described in Sections 3 and 6 below, the Participant must be employed by, or providing service to, the Company on December 31, 2017 in order for the Participant to receive payment with respect to the Performance Units.

3. Termination of Employment or Service.

(a) Except as described below, if the Participant ceases to be employed by, or provide services to, the Company before December 31, 2017, the Performance Units and all Dividend Equivalents credited under this Grant Letter will be forfeited.

(b) If the Participant terminates employment or service on account of Retirement (as defined in Section 7), Disability (as defined in Section 7) or death, the Participant will earn a pro-rata portion of the Participant's outstanding Performance Units and Dividend Equivalents, if the Performance Goals and the requirements of this Grant Letter are met. The prorated portion will be determined as the amount that would otherwise be paid after the end of the Performance Period, based on achievement of the Performance Goals, multiplied by a fraction, the numerator of which is the number of calendar years during the Performance Period in which the Participant has been employed by, or provided service to, the Company and the denominator of which is three. For purposes of the proration calculation, the calendar year in which the Participant's termination of employment or service on account of Retirement, Disability, or death occurs will be counted as a full year.

(c) In the event of termination of employment or service on account of Retirement, Disability or death, the prorated amount shall be paid after the end of the Performance Period, pursuant to Section 4 below, except as provided in Section 6.

4. Payment with Respect to Performance Units. If the Committee determines that the conditions to payment of the Performance Units have been met, the Company shall pay to the Participant (i) Shares equal to the number of Performance Units to be paid according to achievement of the Performance Goals, up to the Target Award, provided that the Company may withhold Shares to cover required tax withholding in an amount equal to the minimum statutory tax withholding requirement in respect of the Performance Units earned up to the Target Award, and (ii) cash in an amount equal to the Fair Market Value (as defined in the Plan) of the number of Shares equal to the Performance Units to be paid in excess of the Target Award, subject to applicable tax withholding. Payment shall be made between January 1, 2018 and March 15, 2018, except as provided in Section 6 below.

5. Dividend Equivalents with Respect to Performance Units.

(a) Dividend Equivalents shall accrue with respect to Performance Units and shall be payable subject to the same Performance Goals and terms as the Performance Units to which they relate. Dividend Equivalents shall be credited with respect to the Target Award of Performance Units from the Date of Grant until the payment date. If and to the extent that the underlying Performance Units are forfeited, all related Dividend Equivalents shall also be forfeited.

(b) While the Performance Units are outstanding, the Company will keep records of Dividend Equivalents in a bookkeeping account for the Participant. On each payment date for a dividend paid by UGI on its common stock, the Company shall credit to the Participant's account an amount equal to the Dividend Equivalents associated with the Target Award of Performance Units held by the Participant on the record date for the dividend. No interest will be credited to any such account.

(c) The target amount of Dividend Equivalents (100% of the Dividend Equivalents credited to the Participant's account) will be earned if UGI's TSR rank is at the 50th TSR percentile rank for the Performance Period. The Participant can earn up to 200% of the target amount of Dividend Equivalents if UGI's TSR percentile rank exceeds the 50th TSR rank, according to the schedule in Section 2 above. Except as described in Section 3(b) above, or Section 6, if the Participant's employment or service with the Company terminates before December 31, 2017, all Dividend Equivalents will be forfeited.

(d) Dividend Equivalents will be paid in cash at the same time as the underlying Performance Units are paid, after the Committee determines that the conditions to payment have been met. Notwithstanding anything in this Grant Letter to the contrary, the Participant may not accrue Dividend Equivalents in excess of $1,000,000 during any calendar year under all grants under the Plan.

6. Change of Control.

(a) If a Change of Control occurs, the Performance Units and Dividend Equivalents shall not automatically become payable upon the Change of Control, but, instead, shall become payable as described in this Section 6. The Committee may take such other actions with respect to the Performance Units and Dividend Equivalents as it deems appropriate pursuant to the Plan. For Participants who are employees of UGI Utilities, Inc. ("Utilities") or a subsidiary of Utilities, the term "Change of Control" shall mean (i) a Change of Control of UGI as defined in the Plan, or (ii) one of the events set forth on Exhibit B with respect to Utilities.

(b) If a Change of Control occurs during the Performance Period, the Committee shall calculate a Change of Control Amount as follows:

(i) The Performance Period shall end as of the closing date of the Change of Control (the "Change of Control Date") and the TSR ending date calculation for the Performance Period shall be based on the 90 calendar day period ending on the Change of Control Date.

(ii) The Committee shall calculate a "Change of Control Amount" equal to the greater of (i) the Target Award amount or (ii) the amount of Performance Units that would be payable based on the Company's achievement of the Performance Goals as of the Change of Control Date, as determined by the Committee. The Change of Control Amount shall include related Dividend Equivalents and, if applicable, interest as described below.

(iii) The Committee shall determine whether the Change of Control Amount attributable to Performance Units shall be (A) converted to units with respect to shares or other equity interests of the acquiring company or its parent ("Successor Units"), in which case Dividend Equivalents shall continue to be credited on the Successor Units, or (B) valued based on the Fair Market Value of the Performance Units as of the Change of Control Date and credited to a bookkeeping account for the Participant, in which case interest shall be credited on the amount so determined at a market rate for the period

between the Change of Control Date and the applicable payment date. Notwithstanding the provisions of Section 4, all payments on and after a Change of Control shall be made in cash. If alternative (A) above is used, the cash payment shall equal the Fair Market Value on the date of payment of the number of shares or other equity interests underlying the Successor Units, plus accrued Dividend Equivalents. All payments shall be subject to applicable tax withholding.

(c) If a Change of Control occurs during the Performance Period and the Participant continues in employment or service through December 31, 2017, the Change of Control Amount shall be paid in cash between January 1, 2018 and March 15, 2018.

(d) If a Change of Control occurs during the Performance Period, and the Participant has a Termination without Cause or a Good Reason Termination upon or within two years after the Change of Control Date and before December 31, 2017, the Change of Control Amount shall be paid in cash within 30 days after the Participant's separation from service, subject to Section 13 below.

(e) If a Change of Control occurs during the Performance Period, and the Participant terminates employment or service on account of Retirement, Disability or death upon or after the Change of Control Date and before December 31, 2017, the Change of Control Amount shall be paid in cash within 30 days after the Participant's separation from service, subject to Section 13 below; provided that, if required by section 409A, if the Participant's Retirement, Disability or death occurs more than two years after the Change of Control Date, payment will be made between January 1, 2018 and March 15, 2018, and not upon the earlier separation from service.

(f) If a Participant's employment or service terminates on account of Retirement, death or Disability before a Change of Control, and a Change of Control subsequently occurs before the end of the Performance Period, the prorated amount in Section 3(b) shall be calculated by multiplying the fraction described in Section 3(b) by the Change of Control Amount. The prorated Change of Control Amount shall be paid in cash within 30 days after the Change of Control Date, subject to Section 13 below.

7. Definitions. For purposes of this Grant Letter, the following terms will have the meanings set forth below:

(a) "*Company*" means UGI and its Subsidiaries (as defined in the Plan).

(b) "*Disability*" means a long-term disability as defined in the Company's long-term disability plan applicable to the Participant.

(c) "*Dividend Equivalent*" means an amount determined by multiplying the number of shares of UGI common stock subject to the target award of Performance Units by the per-share cash dividend, or the per-share fair market value of any dividend in consideration other than cash, paid by UGI on its common stock.

(d) *"Employed by, or provide service to, the Company"* shall mean employment or service as an employee or director of the Company. The Participant shall not be considered to have a termination of employment or service under this Grant Letter until the Participant is no longer employed by, or performing services for, the Company.

(e) "*Good Reason Termination*" shall mean a termination of employment or service initiated by the Participant upon or after a Change of Control upon one or more of the following events:

(i) a material diminution in the authority, duties or responsibilities held by the Participant immediately prior to the Change of Control;

(ii) a material diminution in the Participant's base salary as in effect immediately prior to the Change of Control; or

(iii) a material change in the geographic location at which the Participant must perform services (which, for purposes of this Agreement, means the Participant is required to report, other than on a temporary basis (less than 12 months), to a location which is more than 50 miles from the Participant's principal place of business immediately before the Change of Control, without the Participant's express written consent).

Notwithstanding the foregoing, the Participant shall be considered to have a Good Reason Termination only if the Participant provides written notice to the Company, pursuant to Section 15, specifying in reasonable detail the events or conditions upon which the Participant is basing such Good Reason Termination and the Participant provides such notice within 90 days after the event that gives rise to the Good Reason Termination. Within 30 days after notice has been provided, the Company shall have the opportunity, but shall have no obligation, to cure such events or conditions that give rise to the Good Reason Termination. If the Company does not cure such events or conditions within the 30-day period, the Participant may terminate employment or service with the Company based on Good Reason Termination within 30 days after the expiration of the cure period.

Notwithstanding the foregoing, if the Participant has in effect a Change in Control Agreement with the Company or an Affiliate, the term "Good Reason Termination" shall have the meaning given that term in the Change in Control Agreement.

(f) *"Performance Unit"* means a hypothetical unit that represents the value of one share of UGI common stock.

(g) *Retirement*" means the Participant's retirement under the Retirement Income Plan for Employees of UGI Utilities, Inc., if the Participant is covered by that Retirement Income Plan. "Retirement" for other Company employees means termination of employment or service after attaining (i) age 55 with ten or more years of service with the Company or (ii) age 65 with five or more years of service with the Company.

(h) "*Termination without Cause*" means termination of employment or service by the Company for the convenience of the Company for any reason other than (i) theft or misappropriation of funds or conduct that has an adverse effect on the reputation of the Company, (ii) conviction of a felony or a crime involving moral turpitude, (iii) material breach of the Company's written code of conduct, or other material written employment policies, applicable to the Participant, (iv) breach of any written confidentiality, non-competition or non-solicitation covenant between the Participant and the Company, (v) gross misconduct in the performance of duties, or (vi) intentional refusal or failure to perform the material duties of the Participant's position.

8. Withholding. All payments under this Grant Letter are subject to applicable tax withholding. The Participant shall be required to pay to the Company, or make other arrangements satisfactory to the Company to provide for the payment of, any federal (including FICA), state, local or other taxes that the Company is required to withhold with respect to the payments under this Grant Letter. The Company may withhold from cash distributions to cover required tax withholding, or may withhold Shares to cover required tax withholding in an amount equal to the minimum applicable tax withholding amount.

9. Grant Subject to Plan Provisions and Company Policies.

(a) This grant is made pursuant to the Plan, which is incorporated herein by reference, and in all respects shall be interpreted in accordance with the Plan. The grant and payment of Performance Units and Dividend Equivalents are subject to interpretations, regulations and determinations concerning the Plan established from time to time by the Committee in accordance with the provisions of the Plan, including, but not limited to, provisions pertaining to (i) the registration, qualification or listing of the Shares, (ii) adjustments pursuant to Section 5(d) of the Plan, and (iii) other requirements of applicable law. The Committee shall have the authority to interpret and construe the grant pursuant to the terms of the Plan, and its decisions shall be conclusive as to any questions arising hereunder.

(b) This Performance Unit grant and Shares issued pursuant to this Performance Unit grant shall be subject to the UGI Corporation Stock Ownership Policy as adopted by the Board of Directors of UGI and any applicable clawback and other policies implemented by the Board of Directors of UGI, as in effect from time to time.

10. No Employment or Other Rights. The grant of Performance Units shall not confer upon the Participant any right to be retained by or in the employ or service of the Company and shall not interfere in any way with the right of the Company to terminate the Participant's employment or service at any time. The right of the Company to terminate at will the Participant's employment or service at any time for any reason is specifically reserved.

11. No Shareholder Rights. Neither the Participant, nor any person entitled to receive payment in the event of the Participant's death, shall have any of the rights and privileges of a shareholder with respect to the Shares related to the Performance Units, unless and until certificates for Shares

have been distributed to the Participant or successor.

12. Assignment and Transfers. The rights and interests of the Participant under this Grant Letter may not be sold, assigned, encumbered or otherwise transferred except, in the event of the death of the Participant, by will or by the laws of descent and distribution. If the Participant dies, any payments to be made under this Grant Letter after the Participant's death shall be paid to the Participant's estate. The rights and protections of the Company hereunder shall extend to any successors or assigns of the Company and to the Company's parents, subsidiaries, and affiliates.

13. Compliance with Code Section 409A. Notwithstanding the other provisions hereof, this Grant Letter is intended to comply with the requirements of section 409A of the Internal Revenue Code of 1986, as amended, or an exception, and shall be administered accordingly. Any reference to a Participant's termination of employment shall mean a Participant's "separation from service," as such term is defined under section 409A. For purposes of section 409A, each payment of compensation under this Grant Letter shall be treated as a separate payment. Notwithstanding anything in this Grant Letter to the contrary, if the Participant is a "key employee" under section 409A and if payment of any amount under this Grant Letter is required to be delayed for a period of six months after separation from service pursuant to section 409A, payment of such amount shall be delayed as required by section 409A and shall be paid within 10 days after the end of the six-month period. If the Participant dies during such six-month period, the amounts withheld on account of section 409A shall be paid to the personal representative of the Participant's estate within 60 days after the date of the Participant's death. Notwithstanding anything in this Grant Letter to the contrary, if a Change of Control is not a "change in control event" under section 409A, any Performance Units and Dividend Equivalents that are payable pursuant to Section 6 shall be paid to the Participant between January 1, 2018 and March 15, 2018, and not upon the earlier separation from service, if required by section 409A.

14. Applicable Law. The validity, construction, interpretation and effect of this Grant Letter shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania, without giving effect to the conflicts of laws provisions thereof.

15. Notice. Any notice to UGI provided for in this Grant Letter shall be addressed to UGI in care of the Corporate Secretary at UGI's headquarters, and any notice to the Participant shall be addressed to such Participant at the current address shown on the payroll of the Company, or to such other address as the Participant may designate to the Company in writing. Any notice shall be delivered by hand, sent by telecopy or enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service.

16. Acceptance. By accepting this grant through the Morgan Stanley on-line system, the Participant (i) acknowledges receipt of the Plan incorporated herein, (ii) acknowledges that he or she has read the Grant Summary and Grant Letter and understands the terms and conditions of them, (iii) accepts the Performance Units described in the Grant Letter, (iv) agrees to be bound by the terms of the Plan, including the Grant Letter,

and (v) agrees that all the decisions and determinations of the Board or the Committee shall be final and binding on the Participant and any other person having or claiming a right under this Grant.

* * *

EXHIBIT A

UGI CORPORATION
PERFORMANCE UNIT PEER GROUP

RUSSELL MIDCAP UTILITIES
(EXCLUDING TELECOMS)
as of 1/1/2015

AES Corp (AES)	MDU Resources Group Inc (MDU)
AGL Resources Inc (GAS)	National Fuel Gas Co (NFG)
Alliant Energy Corp (LNT)	NiSource Inc (NI)
Ameren Corp (AEE)	Northeast Utilities (NU)
American Water Works Co Inc (AWK)	NRG Energy Inc (NRG)
Aqua America Inc (WTR)	OGE Energy Corp (OGE)
Atmos Energy Corp (ATO)	Pepco Holdings Inc (POM)
Calpine Corp (CPN)	Pinnacle West Capital Corp (PNW)
CenterPoint Energy Inc (CNP)	PPL Corp (PPL)
CMS Energy Corp (CMS)	Public Service Enterprise Group Inc (PEG)
Consolidated Edison Inc (ED)	Questar Corp (STR)
DTE Energy Co (DTE)	SCANA Corp (SCG)
Edison International (EIX)	Sempra Energy (SRE)
Energen Corp (EGN)	TECO Energy Inc (TE)
Entergy Corp (ETR)	UGI Corp (UGI)
FirstEnergy Corp (FE)	Vectren Corp (VVC)
Great Plains Energy Inc (GXP)	Westar Energy Inc (WR)
Hawaiian Electric Industries Inc (HE)	Wisconsin Energy Corp (WEC)
Integrys Energy Group Inc (TEG)	Xcel Energy Inc (XEL)
ITC Holdings Corp (ITC)	

EXHIBIT B

Change of Control with Respect to Utilities

For Participants who are employees of UGI Utilities, Inc. (“Utilities”), or a subsidiary of Utilities, the term “Change of Control” shall include the events set forth in this Exhibit A with respect to Utilities, and the defined terms set forth used in this Exhibit B, if not defined in the Plan, shall have the following meanings:

1. “Change of Control” shall include any of the following events:

(A) UGI and the UGI Subsidiaries fail to own more than fifty percent (50%) of the then outstanding shares of common stock of Utilities or more than fifty percent (50%) of the combined voting power of the then outstanding voting securities of Utilities entitled to vote generally in the election of directors; or

(B) Completion by Utilities of a reorganization, merger or consolidation (a “Business Combination”), in each case, with respect to which all or substantially all of the individuals and entities who were the respective Beneficial Owners of Utilities’ outstanding common stock and voting securities immediately prior to such Business Combination do not, following such Business Combination, Beneficially Own, directly or indirectly, more than 50% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination in substantially the same proportion as their ownership immediately prior to such Business Combination of Utilities’ outstanding common stock and voting securities, as the case may be; or

(C) Completion of a complete liquidation or dissolution of the Utilities or sale or other disposition of all or substantially all of the assets of Utilities other than to a corporation with respect to which, following such sale or disposition, more than 50% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors is then owned beneficially, directly or indirectly, by all or substantially all of the individuals and entities who were the Beneficial Owners, respectively, of Utilities’ outstanding common stock and voting securities immediately prior to such sale or disposition in substantially the same proportion as their ownership of Utilities’ outstanding common stock and voting securities, as the case may be, immediately prior to such sale or disposition.

2. “Affiliate” and “Associate” shall have the respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations under the Exchange Act.

3. A Person shall be deemed the “Beneficial Owner” of any securities: (i) that such Person or any of such Person’s Affiliates or Associates, directly or indirectly, has the right to acquire (whether such right is exercisable immediately or only after the passage of time) pursuant to any agreement, arrangement or understanding (whether or not in writing) or upon the exercise of

conversion rights, exchange rights, rights, warrants or options, or otherwise; provided, however, that a person shall not be deemed the “Beneficial Owner” of securities tendered pursuant to a tender or exchange offer made by such Person or any of such person’s Affiliates or Associates until such tendered securities are accepted for payment, purchase or exchange; (ii) that such Person or any of such Person’s Affiliates or Associates, directly or indirectly, has the right to vote or dispose of or has “beneficial ownership” of (as determined pursuant to Rule 13d-3 of the General Rules and Regulations under the Exchange Act), including without limitation pursuant to any agreement, arrangement or understanding, whether or not in writing; provided, however, that a Person shall not be deemed the “Beneficial Owner” of any security under this clause (ii) as a result of an oral or written agreement, arrangement or understanding to vote such security if such agreement, arrangement or understanding (A) arises solely from a revocable proxy given in response to a public proxy or consent solicitation made pursuant to, and in accordance with, the applicable provisions of the General Rules and Regulations under the Exchange Act, and (B) is not then reportable by such Person on Schedule 13D under the Exchange Act (or any comparable or successor report); or (iii) that are beneficially owned, directly or indirectly, by any other Person (or any Affiliate or Associate thereof) with which such Person (or any of such Person’s Affiliates or Associates) has any agreement, arrangement or understanding (whether or not in writing) for the purpose of acquiring, holding, voting (except pursuant to a revocable proxy as described in the proviso to clause (ii) above) or disposing of any securities; provided, however, that nothing in this Section 1(c) shall cause a Person engaged in business as an underwriter of securities to be the “Beneficial Owner” of any securities acquired through such Person’s participation in good faith in a firm commitment underwriting until the expiration of forty (40) days after the date of such acquisition.

4. “Exchange Act” shall mean the Securities Exchange Act of 1934, as amended.

5. “Person” shall mean an individual or a corporation, partnership, trust, unincorporated organization, association, or other entity.

6. “UGI Subsidiary” shall mean any corporation in which UGI directly or indirectly, owns at least a fifty percent (50%) interest or an unincorporated entity of which UGI, as applicable, directly or indirectly, owns at least fifty percent (50%) of the profits or capital interests.

EXHIBIT 10.2

Utilities Employees

UGI CORPORATION
2013 OMNIBUS INCENTIVE COMPENSATION PLAN
NONQUALIFIED STOCK OPTION GRANT LETTER

This STOCK OPTION GRANT, dated January 1, 2015 (the "Date of Grant"), is delivered by UGI Corporation ("UGI") to you (the "Participant").

RECITALS

The UGI Corporation 2013 Omnibus Incentive Compensation Plan (the "Plan"), provides for the grant of options to purchase shares of common stock of UGI. The Compensation and Management Development Committee of the Board of Directors of UGI (the "Committee") has decided to make a stock option grant to the Participant. The Participant's portal in the Morgan Stanley website for Plan participants (the "Grant Summary") sets forth the number of shares subject to the Option granted to the Participant in this grant.

NOW, THEREFORE, the parties to this Grant Letter, intending to be legally bound hereby, agree as follows:

1.Grant of Option. Subject to the terms and conditions set forth in this Grant Letter and in the Plan, the Committee hereby grants to the Participant a nonqualified stock option (the "Option") to purchase the number of shares of common stock of UGI ("Shares") specified in the Grant Summary at an exercise price of $37.98 per Share. The Option shall become exercisable according to Section 2 below.

2. Exercisability of Option. The Option shall become exercisable on the following dates, if the Participant is employed by, or providing service to, the Company (as defined below) on the applicable date:

Date	Shares for Which the Option is Exercisable
January 1, 2016	33⅓%
January 1, 2017	33⅓%
January 1, 2018	33⅓%

The exercisability of the Option is cumulative, but shall not exceed 100% of the Shares subject to the Option. If the foregoing schedule would produce fractional Shares, the number of Shares for which the Option becomes exercisable shall be rounded down to the nearest whole Share.

3. Term of Option.

(a) The Option shall have a term of ten years from the Date of Grant and shall terminate at the expiration of that period (5:00 p.m. EST on December 31, 2024), unless it is terminated at an earlier date pursuant to the provisions of this Grant Letter or the Plan.

(b) If the Participant ceases to be employed by, or provide service to, the Company, the Option will terminate on the date the Participant ceases such employment or service. However, if the Participant ceases to be employed by, or provide service to, the Company by reason of one of the following events, the Option held by the Participant will thereafter be exercisable pursuant to the following terms:

(i) *Termination without Cause*. If the Participant terminates employment or service on account of a Termination without Cause, the Option will thereafter be exercisable only with respect to that number of Shares with respect to which the Option is already exercisable on the date the Participant's employment or service terminates, except as provided in subsection (v) below. Such portion of the Option will terminate upon the earlier of the expiration date of the Option or the expiration of the 13-month period commencing on the date the Participant ceases to be employed by, or provide service to, the Company.

(ii) *Retirement*. If the Participant ceases to be employed by, or provide service to, the Company on account of Retirement, the Option will thereafter become exercisable as if the Participant had continued to be employed by, or provide service to, the Company after the date of such Retirement. The Option will terminate upon the expiration date of the Option.

(iii) *Disability*. If the Participant ceases to be employed by, or provide service to, the Company on account of Disability, the Option will thereafter become exercisable as if the Participant had continued to provide service to the

Company for 36 months after the date of such termination of employment or service. The Option will terminate upon the earlier of the expiration date of the Option or the expiration of such 36-month period.

(iv) *Death*. In the event of the death of the Participant while employed by, or providing service to, the Company, the Option will be fully and immediately exercisable and may be exercised at any time prior to the earlier of the expiration date of the Option or the expiration of the 12-month period following the Participant's death. Death of the Participant after the Participant has ceased to be employed by, or provide service to, the Company will not affect the otherwise applicable period for exercise of the Option determined pursuant to subsections (i), (ii), (iii) or (v). After the Participant's death, the Participant's Option may be exercised by the Participant's estate.

(v) *Termination without Cause or Good Reason Termination upon or within two years after a Change of Control.* Notwithstanding the foregoing, if the Participant's employment or service terminates on account of a Termination without Cause or a Good Reason Termination upon or within two years after a Change of Control, the Option will be fully and immediately exercisable. The Option will terminate upon the earlier of the expiration date of the Option or the expiration of the 13-month period commencing on the date the Participant ceases to be employed by, or provide service to, the Company; provided that if the Participant is eligible for Retirement at the date of such termination of employment, the Option will terminate on the expiration date of the Option.

4. <u>Exercise Procedures</u>.

(a) Subject to the provisions of Sections 2 and 3 above, the Participant may exercise part or all of the exercisable Option through the Morgan Stanley website for Plan participants. Payment of the exercise price and any applicable withholding taxes must be made prior to issuance of the Shares. The Participant shall pay the exercise price (i) in cash, (ii) by "net exercise," which is the surrender of shares for which the Option is exercisable to the Company in exchange for a distribution of Shares equal to the amount by which the then fair market value of the Shares subject to the exercised Option exceeds the applicable Option Price, (iii) by payment through a broker in accordance with procedures acceptable to the Committee and permitted by Regulation T of the Federal Reserve Board or (iv) by such other method as the Committee may approve. The Committee may impose such limitations as it deems appropriate on the use of Shares to exercise the Option.

(b) The obligation of UGI to deliver Shares upon exercise of the Option shall be subject to all applicable laws, rules, and regulations and such approvals by governmental agencies as may be deemed appropriate by the Committee, including such actions as UGI's counsel shall deem necessary or appropriate to comply with relevant securities laws and regulations. UGI may require that the Participant (or other person exercising the Option after the Participant's death) represent that the Participant is purchasing Shares for the Participant's own account and not with a view to or for sale in connection with any distribution of the Shares, or such other representation as UGI deems appropriate.

(c) All obligations of UGI under this Grant Letter shall be subject to the rights of the Company as set forth in the Plan to withhold amounts required to be withheld for any taxes, if applicable.

5. <u>Definitions</u>. Whenever used in this Grant Letter, the following terms shall have the meanings set forth below:

(a) "*Change of Control*" shall (i) have the meaning given that term in the Plan, or (ii) mean one of the events set forth on Exhibit A with respect to UGI Utilities, Inc.

(b) "*Company*" means UGI and its Subsidiaries (as defined in the Plan).

(c) "*Disability*" means a long-term disability as defined in the Company's long-term disability plan applicable to the Participant.

(d) "*Employed by, or provide service to, the Company*" shall mean employment or service as an employee or director of the Company.

(e) "*Good Reason Termination*" shall mean a termination of employment or service initiated by the Participant upon or within two years after a Change of Control upon one or more of the following occurrences:

(i) a material diminution in the authority, duties or responsibilities held by the Participant immediately prior to the Change of Control;

(ii) a material diminution in the Participant's base salary as in effect immediately prior to the Change of Control; or

(iii) a material change in the geographic location at which the Participant must perform services (which, for purposes of this Grant Letter, means the Participant is required to report, other than on a temporary basis (less than 12 months), to a location which is more than 50 miles from the Participant's principal place of business immediately preceding the Change of Control, without the Participant's express written consent).

Notwithstanding the foregoing, the Participant shall be considered to have a Good Reason Termination only if the Participant provides written notice to the Company, pursuant to Section 13, specifying in reasonable detail the events or conditions upon which the Participant is basing such Good Reason Termination and the Participant provides such notice within 90 days after the event that gives rise to the Good Reason Termination. Within 30 days after notice has been provided, the Company shall have the opportunity, but shall have no obligation, to cure such events or conditions that give rise to the Good Reason Termination. If the Company does not cure such events or conditions within the 30-day period, the Participant may terminate employment or service with the Company based on Good Reason Termination within 30 days after the expiration of the cure period.

Notwithstanding the foregoing, if the Participant has in effect a Change in Control Agreement with the Company or an Affiliate, the term "Good Reason Termination" shall have the meaning given that term in the Change in Control Agreement.

(f) "*Retirement*" means the Participant's retirement under the Retirement Income Plan for Employees of UGI Utilities, Inc., if the Participant is covered by that Retirement Income Plan. "Retirement" for other Company employees means termination of employment or service after attaining (i) age 55 with ten or more years of service with the Company or (ii) age 65 with five or more years of service with the Company.

(g) "*Termination without Cause*" means termination of employment or service by the Company for the convenience of the Company for any reason other than (i) theft or misappropriation of funds or conduct that has an adverse effect on the reputation of the Company, (ii) conviction of a felony or a crime involving moral turpitude, (iii) material breach of the Company's written code of conduct, or other material written employment policies, applicable to the Participant, (iv) breach of any written confidentiality, non-competition or non-solicitation covenant between the Participant and the Company, (v) gross misconduct in the performance of duties, or (vi) intentional refusal or failure to perform the material duties of the Participant's position.

6. <u>Change of Control</u>. If a Change of Control occurs, the Committee may take such actions with respect to the Option as it deems appropriate pursuant to the Plan. The Option shall not automatically become exercisable upon a Change of Control but, instead, shall become exercisable as described in Sections 2 and 3 above.

7. <u>Restrictions on Exercise</u>. Except as the Committee may otherwise permit pursuant to the Plan, only the Participant may exercise the Option during the Participant's lifetime and, after the Participant's death, the Option shall be exercisable by the Participant's estate, to the extent that the Option is exercisable pursuant to this Grant Letter.

8. <u>Grant Subject to Plan Provisions and Company Policies</u>.

(a) This grant is made pursuant to the Plan, which is incorporated herein by reference, and in all respects shall be interpreted in accordance with the Plan. The grant and exercise of the Option are subject to interpretations, regulations and determinations concerning the Plan established from time to time by the Committee in accordance with the provisions of the Plan, including, but not limited to, provisions pertaining to (i) the registration, qualification or listing of the Shares, (ii) changes in capitalization of the Company and (iii) other requirements of applicable law. The Committee shall have the authority to interpret and construe the Option pursuant to the terms of the Plan, and its decisions shall be conclusive as to any questions arising hereunder.

(b) All Shares issued pursuant to this Option grant shall be subject to the UGI Corporation Stock Ownership Policy. This Option grant and all Shares issued pursuant to this Option grant shall be subject to any applicable clawback and other policies implemented by the Board of Directors of UGI, as in effect from time to time.

9. <u>No Employment or Other Rights</u>. The grant of the Option shall not confer upon the Participant any right to be retained by or in the employ or service of the Company and shall not interfere in any way with the right of the Company to terminate the Participant's employment or service at any time. The right of the Company to terminate at will the Participant's employment or service at any time for any reason is specifically reserved.

10. <u>No Shareholder Rights</u>. Neither the Participant, nor any person entitled to exercise the Participant's rights in the event of the Participant's death, shall have any of the rights and privileges of a shareholder with respect to the Shares subject to the Option, until certificates for Shares have been issued upon the exercise of the Option.

11. <u>Assignment and Transfers</u>. The rights and interests of the Participant under this Grant Letter may not be sold, assigned, encumbered or otherwise transferred except, in the event of the death of the Participant, by will or by the laws of descent and distribution. The rights and protections of the Company hereunder shall extend to any successors or assigns of the Company and to the Company's parents, subsidiaries, and affiliates.

12. <u>Applicable Law</u>. The validity, construction, interpretation and effect of this instrument shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania, without giving effect to the conflicts of laws provisions thereof.

13. <u>Notice</u>. Any notice to UGI provided for in this instrument shall be addressed to UGI in care of the Corporate Secretary at UGI's headquarters, and any notice to the Participant shall be addressed to such Participant at the current address shown on the payroll of the Company, or to such other address as the Participant may designate to the Company in writing. Any notice shall be

delivered by hand, sent by telecopy or enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service.

14. Acceptance. By accepting this grant through the Morgan Stanley on-line system, the Participant (i) acknowledges receipt of the Plan incorporated herein, (ii) acknowledges that he or she has read the Grant Summary and Grant Letter and understands the terms and conditions of them, (iii) accepts the Option described in the Grant Letter, (iv) agrees to be bound by the terms of the Plan, including the Grant Letter, and (v) agrees that all the decisions and determinations of the Board or the Committee shall be final and binding on the Participant and any other person having or claiming a right under this Grant.

* * *

EXHIBIT A

Change of Control with Respect to Utilities

For Participants who are employees of UGI Utilities, Inc. ("Utilities"), or a subsidiary of Utilities, the term "Change of Control" shall include the events set forth in this Exhibit A with respect to Utilities, and the defined terms set forth used in this Exhibit A, if not defined in the Plan, shall have the following meanings:

1. "Change of Control" shall include any of the following events:

(A) UGI and the UGI Subsidiaries fail to own more than fifty percent (50%) of the then outstanding shares of common stock of Utilities or more than fifty percent (50%) of the combined voting power of the then outstanding voting securities of Utilities entitled to vote generally in the election of directors; or

(B) Completion by Utilities of a reorganization, merger or consolidation (a "Business Combination"), in each case, with respect to which all or substantially all of the individuals and entities who were the respective Beneficial Owners of Utilities' outstanding common stock and voting securities immediately prior to such Business Combination do not, following such Business Combination, Beneficially Own, directly or indirectly, more than 50% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination in substantially the same proportion as their ownership immediately prior to such Business Combination of Utilities' outstanding common stock and voting securities, as the case may be; or

(C) Completion of a complete liquidation or dissolution of the Utilities or sale or other disposition of all or substantially all of the assets of Utilities other than to a corporation with respect to which, following such sale or disposition, more than 50% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors is then owned beneficially, directly or indirectly, by all or substantially all of the individuals and entities who were the Beneficial Owners, respectively, of Utilities' outstanding common stock and voting securities immediately prior to such sale or disposition in substantially the same proportion as their ownership of Utilities' outstanding common stock and voting securities, as the case may be, immediately prior to such sale or disposition.

2. "Affiliate" and "Associate" shall have the respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations under the Exchange Act.

3. A Person shall be deemed the "Beneficial Owner" of any securities: (i) that such Person or any of such Person's Affiliates or Associates, directly or indirectly, has the right to acquire (whether such right is exercisable immediately or only after the passage of time) pursuant to any agreement, arrangement or understanding (whether or not in writing) or upon the exercise of conversion rights, exchange rights, rights, warrants or options, or otherwise; provided, however, that a person shall not be deemed the "Beneficial Owner" of securities tendered pursuant to a tender or exchange offer made by such Person or any of such person's Affiliates or Associates until such tendered securities are accepted for payment, purchase or exchange; (ii) that such Person or any of such Person's Affiliates or Associates, directly or indirectly, has the right to vote or dispose of or has "beneficial ownership" of (as determined pursuant to Rule 13d-3 of the General Rules and Regulations under the Exchange Act), including without limitation pursuant to any agreement, arrangement or understanding, whether or not in writing; provided, however, that a Person shall not be deemed the "Beneficial Owner" of any security under this clause (ii) as a result of an oral or written agreement, arrangement or understanding to vote such security if such agreement, arrangement or understanding (A) arises solely from a revocable proxy given in response to a public proxy or consent solicitation made pursuant to, and in accordance with, the applicable provisions of the General Rules and Regulations under the Exchange Act, and (B) is not then reportable by such Person on Schedule 13D under the Exchange Act (or any comparable or successor report); or (iii) that are beneficially owned, directly or indirectly, by any other Person (or any Affiliate or Associate thereof) with which such Person (or any of such Person's Affiliates or Associates) has any agreement, arrangement or understanding (whether or not in writing) for the purpose of acquiring, holding, voting (except pursuant to a revocable proxy as described in the proviso to clause (ii) above) or disposing of any securities; provided, however, that nothing in this Section 3 shall cause a Person engaged in business as an underwriter of securities to be the "Beneficial Owner" of any

securities acquired through such Person’s participation in good faith in a firm commitment underwriting until the expiration of forty (40) days after the date of such acquisition.

4. “Exchange Act” shall mean the Securities Exchange Act of 1934, as amended.

5. “Person” shall mean an individual or a corporation, partnership, trust, unincorporated organization, association, or other entity.

6. “UGI Subsidiary” shall mean any corporation in which UGI directly or indirectly, owns at least a fifty percent (50%) interest or an unincorporated entity of which UGI, as applicable, directly or indirectly, owns at least fifty percent (50%) of the profits or capital interests.

UGI UTILITIES, INC.
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES - EXHIBIT 12.1
(Thousands of dollars)

	Six Months Ended March 31,	Year Ended September 30,			
	2015	2014	2013	2012	2011
Earnings:					
Earnings before income taxes	$ 197,079	$ 207,929	$ 171,010	$ 142,971	$ 168,693
Interest expense	21,260	38,471	39,309	42,412	42,728
Amortization of debt discount and expense	445	575	731	814	1,060
Estimated interest component of rental expense	1,360	2,398	2,090	2,121	1,740
	$ 220,144	$ 249,373	$ 213,140	$ 188,318	$ 214,221
Fixed Charges:					
Interest expense	$ 21,260	$ 38,471	$ 39,309	$ 42,412	$ 42,728
Amortization of debt discount and expense	445	575	731	814	1,060
Allowance for funds used during construction (capitalized interest)	175	227	286	10	90
Estimated interest component of rental expense	1,360	2,398	2,090	2,121	1,740
	$ 23,240	$ 41,671	$ 42,416	$ 45,357	$ 45,618
Ratio of earnings to fixed charges	9.47	5.98	5.02	4.15	4.70

EXHIBIT 31.1

CERTIFICATION

I, Robert F. Beard, certify that:

1. I have reviewed this periodic report on Form 10-Q of UGI Utilities, Inc.;

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 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(s) 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 most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) 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(s) 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 (or persons performing the equivalent functions):

   (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: May 8, 2015

/s/ Robert F. Beard

Robert F. Beard
President and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION

I, Kirk R. Oliver, certify that:

1. I have reviewed this periodic report on Form 10-Q of UGI Utilities, Inc.;

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 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(s) 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 most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) 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(s) 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 (or persons performing the equivalent functions):

   (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: May 8, 2015

/s/ Kirk R. Oliver

Kirk R. Oliver

Vice President -
Financial Strategy
(Principal Financial
Officer)

EXHIBIT 32

Certification by the Chief Executive Officer and Principal Financial Officer

Relating to a Periodic Report Containing Financial Statements

I, Robert F. Beard, Chief Executive Officer, and I, Kirk R. Oliver, Principal Financial Officer, of UGI Utilities, Inc., a Pennsylvania corporation (the “Company”), hereby certify that to our knowledge:

(1) The Company’s periodic report on Form 10-Q for the period ended March 31, 2015 (the “Form 10-Q”) 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-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

CHIEF EXECUTIVE OFFICER	PRINCIPAL FINANCIAL OFFICER
/s/ Robert F. Beard	/s/ Kirk R. Oliver
Robert F. Beard	Kirk R. Oliver
Date: May 8, 2015	Date: May 8, 2015