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 December 31, 2022

OR

☐ **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 1-11071

UGI CORPORATION

(Exact name of registrant as specified in its charter)

Pennsylvania	**23-2668356**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

460 North Gulph Road, King of Prussia, PA 19406
(Address of Principal Executive Offices) (Zip Code)

(610) 337-1000
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class:	Trading Symbol(s):	Name of each exchange on which registered:
Common Stock, without par value	UGI	New York Stock Exchange
Corporate Units	UGIC	New York Stock Exchange

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 ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

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

Large accelerated filer	☒	Accelerated filer	☐	Non-accelerated filer	☐
Smaller reporting company	☐	Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

At January 31, 2023, there were 209,556,984 shares of UGI Corporation Common Stock, without par value, outstanding.

UGI CORPORATION AND SUBSIDIARIES

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GLOSSARY OF TERMS AND ABBREVIATIONS

Terms and abbreviations used in this Form 10-Q are defined below:

UGI Corporation and Related Entities

AmeriGas OLP - AmeriGas Propane, L.P., the principal operating subsidiary of AmeriGas Partners

AmeriGas Partners - AmeriGas Partners, L.P., a Delaware limited partnership and an indirect wholly-owned subsidiary of UGI; also referred to, together with its consolidated subsidiaries, as the "Partnership"

AmeriGas Propane - Reportable segment comprising AmeriGas Propane, Inc. and its subsidiaries, including AmeriGas Partners and AmeriGas OLP

AmeriGas Propane, Inc. - A wholly owned second-tier subsidiary of UGI and the general partner of AmeriGas Partners

AvantiGas - AvantiGas Limited, an indirect wholly owned subsidiary of UGI International, LLC

Company - UGI and its consolidated subsidiaries collectively

DVEP - DVEP Investeringen B.V., an indirect wholly owned subsidiary of UGI International, LLC

Electric Utility - UGI Utilities' regulated electric distribution utility

Energy Services - UGI Energy Services, LLC, a wholly owned subsidiary of Enterprises

Enterprises - UGI Enterprises, LLC, a wholly owned subsidiary of UGI

ESFC - Energy Services Funding Corporation, a wholly owned subsidiary of Energy Services

Flaga - Flaga GmbH, an indirect wholly owned subsidiary of UGI International, LLC

Gas Utility - UGI's regulated natural gas businesses, inclusive of PA Gas Utility and WV Gas Utility

GHI - GHI Energy, LLC, a Houston-based RNG company and indirect wholly owned subsidiary of Energy Services

Midstream & Marketing - Reportable segment comprising Energy Services and UGID

Mountaineer - Mountaineer Gas Company, a natural gas distribution company in West Virginia and a wholly owned subsidiary of Mountaintop Energy Holdings, LLC

Mountaintop Energy Holdings, LLC - Parent company of Mountaineer and wholly owned subsidiary of UGI, acquired on September 1, 2021

PA Gas Utility - UGI Utilities' regulated natural gas distribution business, primarily located in Pennsylvania

Partnership - AmeriGas Partners and its consolidated subsidiaries, including AmeriGas OLP; also referred to as "AmeriGas Partners"

Pennant - Pennant Midstream, LLC, an indirect wholly owned subsidiary of Energy Services

Pine Run - Pine Run Gathering, LLC

Stonehenge - Stonehenge Appalachia, LLC, a midstream natural gas gathering business

UGI - UGI Corporation or, collectively, UGI Corporation and its consolidated subsidiaries

UGI France - UGI France SAS (*a Société par actions simplifiée*), an indirect wholly owned subsidiary of UGI International, LLC

UGI International - Reportable segment principally comprising UGI's foreign operations

UGI International, LLC - UGI International, LLC, a wholly owned subsidiary of Enterprises

UGI Moraine East - UGI Moraine East Gathering LLC, a wholly owned subsidiary comprising the assets acquired in the Stonehenge Acquisition

UGI Utilities - UGI Utilities, Inc., a wholly owned subsidiary of UGI comprising PA Gas Utility and Electric Utility

UGID - UGI Development Company, a wholly owned subsidiary of Energy Services

UniverGas - UniverGas Italia S.r.l, an indirect wholly owned subsidiary of UGI International, LLC

Utilities - Reportable segment comprising UGI Utilities and Mountaintop Energy Holdings, LLC

WV Gas Utility - Mountaineer's regulated natural gas distribution business, located in West Virginia

Other Terms and Abbreviations

2022 Annual Report - UGI Annual Report on Form 10-K for the fiscal year ended September 30, 2022

2021 three-month period - Three months ended December 31, 2021

2022 three-month period - Three months ended December 31, 2022

2024 Purchase Contract - A forward stock purchase contract issued by UGI Corporation as a part of the issuance of Equity Units which obligates holders to purchase a number of shares of UGI Common Stock from the Company on June 1, 2024

AOCI - Accumulated Other Comprehensive Income (Loss)

ASC - Accounting Standards Codification

ASC 606 - ASC 606, "Revenue from Contracts with Customers"

ASU - Accounting Standards Update

Bcf - Billions of cubic feet

COA - Consent Order and Agreement

CODM - Chief Operating Decision Maker as defined in ASC 280, "Segment Reporting"

Common Stock - Shares of UGI common stock

Convertible Preferred Stock - Preferred stock of UGI titled 0.125% series A cumulative perpetual convertible preferred stock without par value and having a liquidation preference of $1,000 per share

COVID-19 - A novel strain of coronavirus disease discovered in 2019

DS - Default service

DSIC - Distribution System Improvement Charge

Equity Unit - A corporate unit consisting of a 2024 Purchase Contract and 1/10th or 10% undivided interest in one share of Convertible Preferred Stock

Exchange Act - Securities Exchange Act of 1934, as amended

FDIC - Federal Deposit Insurance Corporation

FERC - Federal Energy Regulatory Commission

Fiscal 2021 - The fiscal year ended September 30, 2021

Fiscal 2022 - The fiscal year ended September 30, 2022

Fiscal 2023 - The fiscal year ending September 30, 2023

GAAP - U.S. generally accepted accounting principles

Gwh - Millions of kilowatt hours

ICE - Intercontinental Exchange

IREP - Infrastructure Replacement and Expansion Plan

IRPA - Interest rate protection agreement

LIBOR - London Inter-Bank Offered Rate

LNG - Liquefied natural gas

LPG - Liquefied petroleum gas

MDPSC - Maryland Public Service Commission

MGP - Manufactured gas plant

Mountaineer Acquisition - Acquisition of Mountaintop Energy Holdings LLC, which closed on September 1, 2021

Mountaineer 2023 Credit Agreement - Third amendment to the third amended and restated credit agreement entered into by Mountaineer, as borrower, providing for borrowings up to $150 million, with the option to increase to a maximum principal amount of $250 million assuming certain conditions are met, including a letter or credit subfacility of up to $20 million, scheduled to expire in November 2024, with an option to extend the maturity date

NOAA - National Oceanic and Atmospheric Administration

NPNS - Normal purchase and normal sale

NYDEC - New York State Department of Environmental Conservation

NYMEX - New York Mercantile Exchange

PADEP - Pennsylvania Department of Environmental Protection

PAPUC - Pennsylvania Public Utility Commission

Pennant Acquisition - During Fiscal 2022, Energy Services acquired the remaining 53% equity interest in Pennant

PGA - Purchased gas adjustment

PGC - Purchased gas costs

PRP - Potentially responsible party

Purchase Contracts - Forward stock purchase contracts issued by UGI Corporation in May 2021, which obligate holders to purchase a number of shares of UGI common stock from the Company on June 1, 2024

Receivables Facility - A receivables purchase facility of Energy Services with an issuer of receivables-backed commercial paper

Retail core-market - Comprises firm residential, commercial and industrial customers to whom Utilities has a statutory obligation to provide service that purchase their natural gas from Utilities

RNG - Renewable natural gas

ROD - Record of Decision

SEC - U.S. Securities and Exchange Commission

SOFR - Secured Overnight Financing Rate

Stonehenge Acquisition - Acquisition of Stonehenge Appalachia, LLC, which closed January 27, 2022

U.K. - United Kingdom

U.S. - United States of America

UGI International Credit Facilities Agreement - A five-year unsecured senior facilities agreement entered into in October 2018, by UGI International, LLC comprising a €300 million term loan facility and a €300 million revolving credit facility, scheduled to expire in October 2023

UGI Utilities Credit Agreement - A five-year unsecured revolving credit agreement entered into by UGI Utilities on June 27, 2019 providing for borrowings up to $350 million, including a letter of credit subfacility of up to $100 million, scheduled to expire in June 2024. On December 13, 2022, UGI Utilities entered into an amendment to UGI Utilities Credit Agreement, providing for borrowings up to $425 million and to replace the use of LIBOR with SOFR

USD - U.S. dollar

WVPSC - Public Service Commission of West Virginia

UGI CORPORATION AND SUBSIDIARIES

PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED BALANCE SHEETS

(unaudited)
(Millions of dollars)

	December 31, 2022	September 30, 2022	December 31, 2021
ASSETS			
Current assets:			
Cash and cash equivalents	$ 317	$ 405	$ 334
Restricted cash	227	64	24
Accounts receivable (less allowances for doubtful accounts of $69, $64 and $57, respectively)	1,578	1,127	1,461
Accrued utility revenues	147	23	95
Income taxes receivable	51	128	128
Inventories	618	665	548
Derivative instruments	238	865	578
Held for sale assets (Note 5)	—	295	—
Prepaid expenses and other current assets	280	230	263
Total current assets	3,456	3,802	3,431
Property, plant and equipment, (less accumulated depreciation of $4,344, $4,166 and $4,047, respectively)	8,176	8,040	7,597
Goodwill	3,697	3,612	3,748
Intangible assets, net	488	500	565
Utility regulatory assets	314	301	372
Derivative instruments	187	565	257
Other assets	810	755	830
Total assets	$ 17,128	$ 17,575	$ 16,800
LIABILITIES AND EQUITY			
Current liabilities:			
Current maturities of long-term debt	$ 402	$ 149	$ 123
Short-term borrowings	991	368	579
Accounts payable	1,014	891	973
Derivative instruments	133	144	53
Held for sale liabilities (Note 5)	—	19	—
Other current liabilities	840	873	853
Total current liabilities	3,380	2,444	2,581
Long-term debt	6,323	6,483	6,416
Deferred income taxes	958	1,305	1,060
Derivative instruments	36	50	33
Other noncurrent liabilities	1,243	1,219	1,351
Total liabilities	11,940	11,501	11,441
Commitments and contingencies (Note 9)			
Equity:			
UGI Corporation stockholders’ equity:			
Preferred stock, without par value (authorized – 5,000,000 shares; issued – 220,000, 220,000 and 220,000 Series A shares, respectively)	167	162	214
UGI Common Stock, without par value (authorized — 450,000,000 shares; issued — 210,621,970, 210,560,494 and 210,045,726 shares, respectively)	1,482	1,483	1,402
Retained earnings	3,808	4,841	3,908
Accumulated other comprehensive loss	(231)	(380)	(156)
Treasury stock, at cost	(46)	(40)	(19)
Total UGI Corporation stockholders’ equity	5,180	6,066	5,349
Noncontrolling interests	8	8	10
Total equity	5,188	6,074	5,359
Total liabilities and equity	$ 17,128	$ 17,575	$ 16,800

See accompanying notes to condensed consolidated financial statements.

UGI CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(unaudited)
(Millions of dollars, except per share amounts)

	Three Months Ended December 31,	
	2022	2021
Revenues	$ 2,759	$ 2,673
Costs and expenses:		
Cost of sales (excluding depreciation and amortization shown below)	3,106	2,120
Operating and administrative expenses	529	514
Depreciation and amortization	131	129
Loss on disposal of U.K. energy marketing business	215	—
Other operating income, net	(18)	(22)
	3,963	2,741
Operating loss	(1,204)	(68)
Income from equity investees	1	8
Loss on extinguishment of debt	—	(11)
Other non-operating (expense) income, net	(28)	10
Interest expense	(92)	(81)
Loss before income taxes	(1,323)	(142)
Income tax benefit	369	46
Net loss including noncontrolling interests	(954)	(96)
Deduct net income attributable to noncontrolling interests	—	(1)
Net loss attributable to UGI Corporation	$ (954)	$ (97)
Loss per common share attributable to UGI Corporation stockholders:		
Basic	$ (4.54)	$ (0.46)
Diluted	$ (4.54)	$ (0.46)
Weighted-average common shares outstanding (thousands):		
Basic	209,934	209,673
Diluted	209,934	209,673

See accompanying notes to condensed consolidated financial statements.

UGI CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited)
(Millions of dollars)

	Three Months Ended December 31, 2022	Three Months Ended December 31, 2021
Net loss including noncontrolling interests	$ (954)	$ (96)
Other comprehensive income (loss):		
Net gains on derivative instruments (net of tax of $(1) and $(2), respectively)	3	10
Reclassifications of net (gains) losses on derivative instruments (net of tax of $2 and $(2), respectively)	(5)	4
Foreign currency adjustments (net of tax of $30 and $(4), respectively)	151	(32)
Benefit plans (net of tax of $0 and $(1), respectively)	—	2
Other comprehensive income (loss)	149	(16)
Comprehensive loss including noncontrolling interests	(805)	(112)
Deduct comprehensive income attributable to noncontrolling interests	—	(1)
Comprehensive loss attributable to UGI Corporation	$ (805)	$ (113)

See accompanying notes to condensed consolidated financial statements.

UGI CORPORATION AND SUBSIDIARIES

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

	Three Months Ended December 31, 2022	Three Months Ended December 31, 2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss including noncontrolling interests	$ (954)	$ (96)
Adjustments to reconcile net loss including noncontrolling interests to net cash used by operating activities:		
Depreciation and amortization	131	129
Deferred income tax benefit, net	(356)	(82)
Provision for uncollectible accounts	13	12
Changes in unrealized gains and losses on derivative instruments	1,402	397
Loss on disposal of U.K. energy marketing business	215	—
Impairment of assets	19	—
Loss on extinguishment of debt	—	11
Income from equity investees	(1)	(8)
Other, net	22	(33)
Net change in:		
Accounts receivable and accrued utility revenues	(569)	(685)
Income taxes receivable	77	—
Inventories	67	(81)
Utility deferred fuel and power costs, net of changes in unsettled derivatives	(18)	(22)
Accounts payable	123	154
Derivative instruments collateral deposits paid	(343)	(260)
Other current assets	(6)	12
Other current liabilities	(62)	(42)
Net cash used by operating activities	(240)	(594)
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditures for property, plant and equipment	(210)	(186)
Acquisitions of businesses and assets, net of cash and restricted cash acquired	(9)	—
Investments in equity method investees	(40)	—
Other, net	(12)	32
Net cash used by investing activities	(271)	(154)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends on UGI Common Stock	(76)	(72)
Issuances of long-term debt, net of issuance costs	155	614
Repayments of long-term debt and finance leases, including redemption premiums	(128)	(524)
Increase in short-term borrowings	487	212
Receivables Facility net borrowings	121	—
Payments on Purchase Contracts	(4)	(4)
Issuances of UGI Common Stock	5	8
Repurchases of UGI Common Stock	(12)	—
Net cash provided by financing activities	548	234
Effect of exchange rate changes on cash, cash equivalents and restricted cash	38	(5)
Cash, cash equivalents and restricted cash increase (decrease)	$ 75	$ (519)
CASH, CASH EQUIVALENTS AND RESTRICTED CASH		
Cash, cash equivalents and restricted cash at end of period	$ 544	$ 358
Cash, cash equivalents and restricted cash at beginning of period	469	877
Cash, cash equivalents and restricted cash increase (decrease)	$ 75	$ (519)

See accompanying notes to condensed consolidated financial statements.

UGI CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(unaudited)
(Millions of dollars, except per share amounts)

	Three Months Ended December 31, 2022	Three Months Ended December 31, 2021
Preferred stock, without par value		
Balance, beginning of period	$ 162	$ 213
Cumulative effect of change in accounting - ASU 2020-06 (Note 3)	5	—
Other	—	1
Balance, end of period	$ 167	$ 214
Common stock, without par value		
Balance, beginning of period	$ 1,483	$ 1,394
Common Stock issued in connection with employee and director plans, net of tax withheld	2	5
Equity-based compensation expense	3	3
Cumulative effect of change in accounting - ASU 2020-06 (Note 3)	(6)	—
Balance, end of period	$ 1,482	$ 1,402
Retained earnings		
Balance, beginning of period	$ 4,841	$ 4,081
Cumulative effect of change in accounting - ASU 2020-06 (Note 3)	1	—
Losses on common stock transactions in connection with employee and director plans	(4)	(4)
Net loss attributable to UGI Corporation	(954)	(97)
Cash dividends on UGI Common Stock ($0.36 and $0.35, respectively)	(76)	(72)
Balance, end of period	$ 3,808	$ 3,908
Accumulated other comprehensive income (loss)		
Balance, beginning of period	$ (380)	$ (140)
Net gains on derivative instruments	3	10
Reclassification of net (gains) losses on derivative instruments	(5)	4
Benefit plans	—	2
Foreign currency adjustments	151	(32)
Balance, end of period	$ (231)	$ (156)
Treasury stock		
Balance, beginning of period	$ (40)	$ (26)
Common Stock issued in connection with employee and director plans, net of tax withheld	6	7
Repurchases of UGI Common Stock	(12)	—
Balance, end of period	$ (46)	$ (19)
Total UGI stockholders' equity	$ 5,180	$ 5,349
Noncontrolling interests		
Balance, beginning of period	$ 8	$ 9
Net income attributable to noncontrolling interests	—	1
Balance, end of period	$ 8	$ 10
Total equity	$ 5,188	$ 5,359

See accompanying notes to condensed consolidated financial statements.

UGI CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements
(unaudited)
(Currency in millions, except per share amounts and where indicated otherwise)

Note 1 — Nature of Operations

UGI is a holding company that, through subsidiaries and affiliates, distributes, stores, transports and markets energy products and related services. In the U.S., we own and operate (1) a retail propane marketing and distribution business; (2) natural gas and electric distribution utilities; and (3) energy marketing, midstream infrastructure, storage, natural gas gathering and processing, natural gas production, electricity generation and energy services businesses. In Europe, we market and distribute propane and other LPG, and market other energy products and services.

We conduct a domestic propane marketing and distribution business through AmeriGas Partners. AmeriGas Partners conducts a national propane distribution business through its principal operating subsidiary, AmeriGas OLP.

UGI International, through subsidiaries and affiliates, conducts (1) an LPG distribution business throughout much of Europe and (2) an energy marketing business in France, Belgium, and the Netherlands. These businesses are conducted principally through our subsidiaries, UGI France, Flaga, AvantiGas, DVEP and UniverGas. See Note 5 for additional information regarding the energy marketing businesses at UGI International.

Energy Services conducts, directly and through subsidiaries and affiliates, energy marketing, including RNG, midstream transmission, LNG storage, natural gas gathering and processing, natural gas and RNG production, electricity generation and energy services businesses primarily in the eastern region of the U.S., eastern Ohio, the panhandle of West Virginia and California. UGID owns electricity generation facilities principally located in Pennsylvania. Energy Services and its subsidiaries' storage, LNG and portions of its midstream transmission operations are subject to regulation by the FERC.

Our Utilities segment includes UGI Utilities and Mountaineer. PA Gas Utility serves customers in eastern and central Pennsylvania and in portions of one Maryland county, and Mountaineer serves customers in West Virginia. Electric Utility serves customers in portions of Luzerne and Wyoming counties in northeastern Pennsylvania. PA Gas Utility is subject to regulation by the PAPUC and FERC and, with respect to its customers in Maryland, the MDPSC. Mountaineer is subject to regulation by the WVPSC and FERC. Electric Utility is subject to regulation by the PAPUC and FERC.

Note 2 — Summary of Significant Accounting Policies

The accompanying condensed consolidated financial statements are unaudited and have been prepared in accordance with the rules and regulations of the 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, 2022, Condensed Consolidated Balance Sheet was derived from audited financial statements but does not include all footnote disclosures from the annual financial statements.

These financial statements should be read in conjunction with the financial statements and related notes included in the Company's 2022 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.

Restricted Cash. Restricted cash principally represents those cash balances in our commodity futures brokerage accounts that are restricted from withdrawal. The following table provides a reconciliation of the total cash, cash equivalents and restricted cash reported on the Condensed Consolidated Balance Sheets to the corresponding amounts reported on the Condensed Consolidated Statements of Cash Flows.

	December 31, 2022	December 31, 2021
Cash and cash equivalents	$ 317	$ 334
Restricted cash	227	24
Cash, cash equivalents and restricted cash	$ 544	$ 358

(Currency in millions, except per share amounts and where indicated otherwise)

Earnings Per Common Share. Basic earnings per share attributable to UGI stockholders reflect the weighted-average number of common shares outstanding. Diluted earnings per share attributable to UGI stockholders include the effects of dilutive stock options, common stock awards and Equity Units. Shares used in computing basic and diluted earnings per share are as follows:

	Three Months Ended December 31,	
	2022	2021
Denominator (thousands of shares):		
Weighted-average common shares outstanding — basic	209,934	209,673
Incremental shares issuable for stock options, common stock awards and Equity Units (a)	—	—
Weighted-average common shares outstanding — diluted	209,934	209,673

(a) For the three months ended December 31, 2022 and 2021, 6,431 and 6,486, respectively, of such shares have been excluded as these incremental shares would be antidilutive due to the net losses for the periods presented. At December 31, 2022 and 2021, these incremental shares exclude the effects of 6,625 and 3,347 shares, respectively, associated with outstanding stock option awards because their effect was antidilutive.

Equity Method Investments. We account for privately held equity securities of entities without readily determinable fair values in which we do not have control, but have significant influence over operating and financial policies, under the equity method. These are included in "Other assets" on the Condensed Consolidated Balance Sheets. Equity method earnings are included in "Income from equity method investees" on the Condensed Consolidated Statements of Income. Our equity method investments primarily comprise Pine Run and other equity method investments in biomass and other renewable energy projects.

Pine Run. The Company has an approximately 49% interest in Pine Run, a company jointly owned by Stonehenge Energy Resources and UGI Pine Run LLC. Pine Run owns Pine Run Midstream which operates dry gas gathering pipelines and compression assets in western Pennsylvania. Pine Run is accounted for as an equity method investment as we have the ability to exercise significant influence, but not control, over the entity. The carrying value of our investment in Pine Run at December 31, 2022 and 2021 was $71 and $62, respectively.

At December 31, 2021, the carrying value of our investment in Pennant was $99. During Fiscal 2022, UGI through its wholly owned indirect subsidiary, Energy Services, completed the Pennant Acquisition in which Energy Services acquired the remaining 53% of the equity interests in Pennant. The acquisition of the remaining interests was accounted for as an acquisition of assets, and the purchase price of approximately $61 was primarily allocated to property, plant and equipment.

Our other equity method investments totaled $104 and $22 at December 31, 2022 and 2021, respectively, and principally comprise of a number of investments in biomass and other renewable energy projects at Midstream & Marketing and a renewable energy joint venture at UGI International. Our maximum exposure to loss related to these investments is limited to the amount invested.

Derivative Instruments. Derivative instruments are reported on the Condensed Consolidated Balance Sheets at their fair values, unless the NPNS exception is elected. The accounting for changes in fair value depends upon the purpose of the derivative instrument, whether it is subject to regulatory ratemaking mechanisms or if it qualifies and is designated as a hedge for accounting purposes.

Certain of our derivative instruments qualify and are designated as cash flow hedges. For cash flow hedges, changes in the fair values of the derivative instruments are recorded in AOCI, to the extent effective at offsetting changes in the hedged item, until earnings are affected by the hedged item. We discontinue cash flow hedge accounting if occurrence of the forecasted transaction is determined to be no longer probable. Hedge accounting is also discontinued for derivatives that cease to be highly effective. We do not designate our commodity and certain foreign currency derivative instruments as hedges under GAAP. Changes in the fair values of these derivative instruments are reflected in net income. Gains and losses on substantially all of the commodity derivative instruments used by Utilities are included in regulatory assets or liabilities because it is probable such gains or losses will be recoverable from, or refundable to, customers. From time to time, we also enter into net investment hedges. Gains and losses on net investment hedges that relate to our foreign operations are included in the cumulative translation adjustment component in AOCI until such foreign net investment is substantially sold or liquidated.

Cash flows from derivative instruments, other than certain cross-currency swaps and net investment hedges, if any, are included in cash flows from operating activities on the Condensed Consolidated Statements of Cash Flows. Cash flows from the interest portion of our cross-currency hedges, if any, are included in cash flows from operating activities while cash flows from the currency portion of such hedges, if any, are included in cash flows from financing activities. Cash flows from net investment hedges, if any, are included in cash flows from investing activities on the Condensed Consolidated Statements of Cash Flows.

For a more detailed description of the derivative instruments we use, our accounting for derivatives, our objectives for using them and other information, see Note 12.

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.

Goodwill. We do not amortize goodwill, but test it at least annually for impairment at the reporting unit level. A reporting unit is an operating segment, or one level below an operating segment (a component) if it constitutes a business for which discrete financial information is available and regularly reviewed by segment management. Components are aggregated into a single reporting unit if they have similar economic characteristics. Each of our reporting units with goodwill is required to perform impairment tests annually or whenever events or circumstances indicate that the value of goodwill may be impaired.

With respect to the AmeriGas Propane reporting unit's Fiscal 2022 impairment test, we determined that AmeriGas Propane's fair value exceeded its carrying value by approximately 30%. While the Company believes that its judgments used in the quantitative assessment of AmeriGas Propane's fair value are reasonable based upon currently available facts and circumstances, if AmeriGas Propane were not able to achieve its anticipated results and/or if its weighted average cost of capital were to increase, its fair value would be adversely affected, which may result in an impairment. There were no changes in facts and circumstances that would indicate that it is more likely than not that the fair value of the AmeriGas Propane reporting unit may not be in excess of its book value at December 31, 2022. There is approximately $2 billion of goodwill in this reporting unit as of December 31, 2022. The Company will continue to monitor its reporting units and related goodwill for any possible future non-cash impairment charges.

Note 3 — Accounting Changes

New Accounting Standard Adopted in Fiscal 2023

Debt and Derivatives and Hedging. Effective October 1, 2022, the Company adopted ASU 2020-06, "Debt - Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging – Contracts in Entity's Own Equity (Subtopic 815-40)." The amendments in this ASU affect entities that issue convertible instruments and/or contracts indexed to and potentially settled in an entity's own equity. This ASU reduces the number of accounting models for convertible debt instruments and convertible preferred stock, expands disclosure requirements for convertible instruments, and simplifies the related earnings per share guidance. We adopted this ASU using the modified retrospective transition method and applied the new guidance to applicable features of our Equity Units. Periods prior to October 1, 2022 have not been restated.

Upon adoption, we reclassified $6 from Common Stock to Preferred Stock associated with the previously separated equity-classified beneficial conversion feature, which was accounted for as a deemed dividend. The increase to Preferred Stock was partially offset by an increase of $1 to opening retained earnings for the previously recognized non-cash amortization of the beneficial conversion feature. The new guidance also removes the presumption of cash settlement for contracts that may be settled in cash or shares. In accordance with the new guidance, we included the dilutive impact of the quarterly contract adjustment payment liability associated with the 2024 Purchase Contracts, which may be settled in cash or shares, in our computation of weighted average diluted common shares outstanding. The adoption of the new guidance did not, and is not expected to, have a material impact on our consolidated financial statements.

Notes to Condensed Consolidated Financial Statements
(unaudited)
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Note 4 — Revenue from Contracts with Customers

The Company recognizes revenue when control of promised goods or services is transferred to customers in an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services. See Note 4 in the Company's 2022 Annual Report for additional information on our revenues from contracts with customers.

Revenue Disaggregation

The following tables present our disaggregated revenues by reportable segment:

Three Months Ended December 31, 2022	Total	Eliminations (a)	AmeriGas Propane	UGI International	Midstream & Marketing	Utilities	Corporate & Other
Revenues from contracts with customers:							
Utility:							
Core Market:							
Residential	$ 336	$ —	$ —	$ —	$ —	$ 336	$ —
Commercial & Industrial	132	—	—	—	—	132	—
Large delivery service	47	—	—	—	—	47	—
Off-system sales and capacity releases	32	(33)	—	—	—	65	—
Other	10	—	—	—	—	10	—
Total Utility	557	(33)	—	—	—	590	—
Non-Utility:							
LPG:							
Retail	1,116	—	634	482	—	—	—
Wholesale	102	—	51	51	—	—	—
Energy Marketing	778	(77)	—	318	537	—	—
Midstream:							
Pipeline	65	—	—	—	65	—	—
Peaking	17	(39)	—	—	56	—	—
Other	3	—	—	—	3	—	—
Electricity Generation	8	—	—	—	8	—	—
Other	75	—	57	18	—	—	—
Total Non-Utility	2,164	(116)	742	869	669	—	—
Total revenues from contracts with customers	2,721	(149)	742	869	669	590	—
Other revenues (b)	38	—	24	8	—	2	4
Total revenues	$ 2,759	$ (149)	$ 766	$ 877	$ 669	$ 592	$ 4

UGI CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements
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Three Months Ended December 31, 2021	Total	Eliminations (a)	AmeriGas Propane	UGI International	Midstream & Marketing	Utilities	Corporate & Other
Revenues from contracts with customers:							
Utility:							
Core Market:							
Residential	$ 234	$ —	$ —	$ —	$ —	$ 234	$ —
Commercial & Industrial	94	—	—	—	—	94	—
Large delivery service	43	—	—	—	—	43	—
Off-system sales and capacity releases	19	(22)	—	—	—	41	—
Other	5	(1)	—	—	—	6	—
Total Utility	395	(23)	—	—	—	418	—
Non-Utility:							
LPG:							
Retail	1,250	—	646	604	—	—	—
Wholesale	140	—	56	84	—	—	—
Energy Marketing	714	(55)	—	333	436	—	—
Midstream:							
Pipeline	46	—	—	—	46	—	—
Peaking	6	(39)	—	—	45	—	—
Other	2	—	—	—	2	—	—
Electricity Generation	5	—	—	—	5	—	—
Other	78	—	58	20	—	—	—
Total Non-Utility	2,241	(94)	760	1,041	534	—	—
Total revenues from contracts with customers	2,636	(117)	760	1,041	534	418	—
Other revenues (b)	37	(1)	18	8	1	1	10
Total revenues	$ 2,673	$ (118)	$ 778	$ 1,049	$ 535	$ 419	$ 10

(a) Includes intersegment revenues principally among Midstream & Marketing, Utilities and AmeriGas Propane.
(b) Primarily represents revenues from tank rentals at AmeriGas Propane and UGI International, revenues from certain gathering assets at Midstream & Marketing and gains and losses on commodity derivative instruments not associated with current-period transactions reflected in Corporate & Other, none of which are within the scope of ASC 606 and are accounted for in accordance with other GAAP.

Contract Balances

The timing of revenue recognition may differ from the timing of invoicing to customers or cash receipts. Contract assets represent our right to consideration after the performance obligations have been satisfied when such right is conditioned on something other than the passage of time. Contract assets were not material for all periods presented. Substantially all of our receivables are unconditional rights to consideration and are included in "Accounts receivable" and, in the case of Utilities, "Accrued utility revenues" on the Condensed Consolidated Balance Sheets. Amounts billed are generally due within the following month.

Contract liabilities arise when payment from a customer is received before the performance obligations have been satisfied and represent the Company's obligations to transfer goods or services to a customer for which we have received consideration. The balances of contract liabilities were $143, $164 and $129 at December 31, 2022, September 30, 2022 and December 31, 2021, respectively, and are included in "Other current liabilities" and "Other noncurrent liabilities" on the Condensed Consolidated Balance Sheets. Revenues recognized for the three months ended December 31, 2022 and 2021, from the amounts included in contract liabilities at September 30, 2022 and 2021, were $81 and $70, respectively.

(Currency in millions, except per share amounts and where indicated otherwise)

Remaining Performance Obligations

The Company excludes disclosures related to the aggregate amount of the transaction price allocated to certain performance obligations that are unsatisfied as of the end of the reporting period because these contracts have an initial expected term of one year or less, or we have a right to bill the customer in an amount that corresponds directly with the value of services provided to the customer to date. Certain contracts with customers at Midstream & Marketing and Utilities contain minimum future performance obligations through 2047 and 2053, respectively. At December 31, 2022, Midstream & Marketing and Utilities expect to record approximately $2.3 billion and $0.2 billion of revenues, respectively, related to the minimum future performance obligations over the remaining terms of the related contracts.

Note 5 — UGI International Energy Marketing Businesses

Sale of U.K. Energy Marketing Business. On October 21, 2022, UGI International, through a wholly-owned subsidiary, sold its natural gas marketing business located in the U.K. for a net cash payment of $19 which includes certain working capital adjustments. In conjunction with the sale, during the three months ended December 31, 2022, the Company recorded a pre-tax loss of $215 ($151 after-tax) substantially all of which loss was due to the non-cash transfer of commodity derivative instruments associated with the business. At the date of closing of the sale, these commodity derivative instruments had a net carrying value of $206 which is attributable to net unrealized gains on such instruments. At September 30, 2022, these derivative instruments were classified as held for sale assets on the Condensed Consolidated Balance Sheet and a net carrying value of $276. The change in the carrying value of these derivative instruments between September 30, 2022 and October 21, 2022 resulted from changes in their fair values during that period.

Other UGI International Energy Marketing Businesses. In November 2022, the Company announced that it expected to sign a definitive agreement during the first quarter of Fiscal 2023 to sell its energy marketing business in France. In December 2022, the Company announced that it no longer expected to sign a definitive agreement during the first quarter of Fiscal 2023 as extended negotiations with the potential buyer had been discontinued. The Company continues to pursue the sale of its energy marketing business in France, as well as the wind-down of its energy marketing business located in Belgium and the Netherlands. At December 31, 2022, the sale of our energy marketing business in France was not considered probable of occurring within one year and, as such, assets and liabilities associated with this business were not classified as held for sale on the Condensed Consolidated Balance Sheet.

During the three months ended December 31, 2022, the Company recorded a $19 pre-tax ($15 after-tax) impairment charge to reduce the carrying values of certain assets associated with its energy marketing business in the Netherlands, comprising property, plant and equipment and intangible assets. The impairment charge is reflected in “Operating and administrative expenses” on the Condensed Consolidated Statement of Income and included in the UGI International segment.

Note 6 — Inventories

Inventories comprise the following:

	December 31, 2022	September 30, 2022	December 31, 2021
Non-utility LPG and natural gas	$ 310	$ 335	$ 352
Gas Utility natural gas	129	166	65
Energy certificates	78	70	60
Materials, supplies and other	101	94	71
Total inventories	$ 618	$ 665	$ 548

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Note 7 — Utility 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 9 in the Company's 2022 Annual Report. Other than removal costs, Utilities currently does not recover a rate of return on its regulatory assets listed below. The following regulatory assets and liabilities associated with Utilities are included on the Condensed Consolidated Balance Sheets:

	December 31, 2022	September 30, 2022	December 31, 2021
Regulatory assets (a):			
Income taxes recoverable	$ 93	$ 83	$ 145
Underfunded pension plans	114	114	106
Environmental costs	36	37	57
Deferred fuel and power costs	71	32	29
Removal costs, net	25	22	23
Other	54	52	52
Total regulatory assets	$ 393	$ 340	$ 412
Regulatory liabilities (a):			
Postretirement benefit overcollections	$ 11	$ 11	$ 13
Deferred fuel and power refunds	3	3	1
State tax benefits — distribution system repairs	39	38	33
Excess federal deferred income taxes	264	279	285
Other	3	4	14
Total regulatory liabilities	$ 320	$ 335	$ 346

(a) Current regulatory assets are included in "Prepaid expenses and other current assets" and regulatory liabilities are included in "Other current liabilities" and "Other noncurrent liabilities" on the Condensed Consolidated Balance Sheets.

Deferred fuel and power - costs and refunds. Utilities' tariffs contain clauses that permit recovery of all prudently incurred purchased gas and power costs through the application of PGC rates, PGA rates and DS tariffs. These clauses provide for periodic adjustments to PGC, PGA 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.

The WVPSC, in an effort to mitigate the impact of WV Gas Utility's new PGA rate increase to customers, delayed the effective date in 2022 from November 1 to December 1 and deferred $12 in under-recovery of gas cost in determining the rates to be charged to the various customer classes effective December 1, 2022. Additionally, to lower winter bills for residential customers, the WVPSC removed transportation and storage costs from the volumetric rate and created a fixed monthly pipeline demand charge applicable to only residential customers.

PA Gas Utility uses derivative instruments to reduce volatility in the cost of gas it purchases for retail core-market customers. Realized and unrealized gains or losses on natural gas derivative instruments are included in deferred fuel and power costs or refunds. Net unrealized (losses) gains on such contracts at December 31, 2022, September 30, 2022 and December 31, 2021 were $(17), $5 and $2, respectively.

Other Regulatory Matters

UGI Utilities. On January 27, 2023, Electric Utility filed a rate request with the PAPUC to increase its annual base distribution revenues by $11. The increased revenues would fund ongoing system improvements and operations necessary to maintain safe and reliable electric service. Electric Utility requested that the new electric rates become effective March 28, 2023. However, the PAPUC typically suspends the effective date for general base rate proceedings for a period not to exceed nine months after the filing date to allow for the investigation and public hearing. The Company cannot predict the timing or the ultimate outcome of the rate case review process.

On January 28, 2022, PA Gas Utility filed a request with the PAPUC to increase its base operating revenues for residential, commercial and industrial customers by $83 annually. On September 15, 2022, the PAPUC issued a final order approving a settlement providing for a $49 annual base distribution rate increase for PA Gas Utility, through a phased approach, with $38 beginning October 29, 2022 and an additional $11 beginning October 1, 2023. In accordance with the terms of the final order, PA Gas Utility will not be permitted to file a rate case prior to January 1, 2024. Also in accordance with the terms of the final order, PA Gas Utility was authorized to implement a weather normalization adjustment rider as a 5-year pilot program beginning on November 1, 2022. Under this rider, when weather deviates from normal by more than 3%, residential and small commercial customer billings for distribution services are adjusted monthly for weather related impacts exceeding the 3% threshold. Additionally, under the terms of the final order, PA Gas Utility was authorized to implement a DSIC once its total property, plant and equipment less accumulated depreciation reached $3,368 (which threshold was achieved in September 2022).

On February 8, 2021, Electric Utility filed a rate request with the PAPUC to increase its annual base distribution revenues by $9. On October 28, 2021, the PAPUC issued a final Order approving a settlement that permitted Electric Utility, effective November 9, 2021, to increase its base distribution revenues by $6.

Mountaineer. On July 29, 2022, Mountaineer submitted its 2022 IREP filing to the WVPSC requesting recovery of costs associated with capital investments totaling $354 over the 2023 - 2027 period, including $64 in calendar year 2023. On November 16, 2022, Mountaineer and the intervening parties submitted a Joint Stipulation and Agreement for Settlement to the WVPSC requesting approval of 2023 IREP revenue of $22 to be charged effective January 1, 2023, which includes the recovery of a $1 under-recovery of 2021 IREP revenue. On December 21, 2022, the WVPSC issued an order approving the Joint Stipulation and Agreement for Settlement as filed.

Note 8 — Debt

UGI International Credit Facilities Agreement. In October 2018, UGI International entered into a five-year unsecured senior facilities agreement with a consortium of banks (the “UGI International Credit Facilities Agreement”), consisting of (1) a €300 variable-rate term loan facility and (2) a €300 multicurrency revolving credit facility. The UGI International Credit Facilities Agreement is scheduled to mature in October 2023. At December 31, 2022, the €300 ($321) variable-rate term loan is reflected in “Current maturities of long-term debt” on the Condensed Consolidated Balance Sheet.

UGI Utilities Credit Agreement. On December 13, 2022, UGI Utilities entered into an amendment to the UGI Utilities Credit Agreement, providing for borrowings up to $425 and to replace the use of LIBOR with SOFR. Borrowings under the amended UGI Utilities Credit Agreement can be used to finance the working capital needs of UGI Utilities and for general corporate purposes. The UGI Utilities Credit Agreement is scheduled to expire June 2024.

Borrowings under the amended UGI Utilities Credit Agreement bear interest, subject to our election, at a floating rate of either (i) Term SOFR plus the applicable margin plus a credit spread adjustment of 0.10% or (ii) the base rate plus the applicable margin. The applicable margin remains unchanged from the original credit agreement.

Mountaineer Credit Agreement. On October 20, 2022, Mountaineer entered into the Mountaineer 2023 Credit Agreement, as borrower, with a group of lenders. The Mountaineer 2023 Credit Agreement amends and restates a previous credit agreement and provides for borrowings up to $150, including a $20 sublimit for letters of credit. Mountaineer may request an increase in the amount of loan commitments to a maximum aggregate amount of $250, subject to certain terms and conditions. Borrowings under the Mountaineer 2023 Credit Agreement can be used to finance the working capital needs of Mountaineer and for general corporate purposes. The Mountaineer 2023 Credit Agreement is scheduled to expire in November 2024, with an option to extend the maturity date.

Borrowings under the Mountaineer 2023 Credit Agreement bear interest, subject to our election, at either (i) the base rate, defined as the highest of (a) the prime rate, (b) the federal funds rate plus 0.50% and (c) the adjusted term SOFR rate for a one-month tenor plus 1%, in each case, plus the applicable margin or (ii) the adjusted term SOFR rate plus the applicable margin. The applicable margin for base rate loans ranges from 0% to 1.25%, and for SOFR loans from 1.00% to 2.25%, depending on the debt rating of Mountaineer. The adjusted term SOFR rate is defined as the term SOFR reference rate for the selected interest period, plus 0.10% per annum for a one-month interest period, 0.15% per annum for a three-month interest period, or 0.25% per annum for a six-month interest period.

Note 9 — Commitments and Contingencies

Environmental Matters

UGI Utilities

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. By the early 1950s, UGI Utilities divested all of its utility operations other than certain gas and electric operations. Beginning in 2006 and 2008, UGI Utilities also owned and operated two acquired subsidiaries, with similar histories of owning, and in some cases operating, MGPs in Pennsylvania.

UGI Utilities is subject to a COA with the PADEP to address the remediation of specified former MGP sites in Pennsylvania, which is scheduled to terminate at the end of 2031. In accordance with the COA, UGI Utilities is required to either obtain a certain number of points per calendar year based on defined eligible environmental investigatory and/or remedial activities at the MGPs, or make expenditures for such activities in an amount equal to an annual environmental minimum expenditure threshold. The annual minimum expenditure threshold of the COA is $5. The COA permits the transfer of the specified wells, with related costs counted towards the annual minimum expenditure. At December 31, 2022, September 30, 2022 and December 31, 2021, our aggregate estimated accrued liabilities for environmental investigation and remediation costs related to the current COA and the predecessor agreements totaled $54, $53 and $50, respectively.

We do not expect the costs for investigation and remediation of hazardous substances at Pennsylvania MGP sites to be material to UGI Utilities' results of operations because UGI Utilities receives ratemaking recovery of actual environmental investigation and remediation costs associated with the sites covered by the COA. This ratemaking recognition reconciles the accumulated difference between historical costs and rate recoveries with an estimate of future costs associated with the sites. As such, UGI Utilities has recorded an associated regulatory asset for these costs because recovery of these costs from customers is probable (see Note 7).

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 a former subsidiary. 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 a former subsidiary 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. Neither the undiscounted nor the accrued liability for environmental investigation and cleanup costs for UGI Utilities' MGP sites outside Pennsylvania were material for all periods presented.

AmeriGas Propane

AmeriGas OLP Saranac Lake. In 2008, the NYDEC notified AmeriGas OLP that the NYDEC had placed property purportedly owned by AmeriGas OLP in Saranac Lake, New York on the New York State Registry of Inactive Hazardous Waste Disposal Sites. A site characterization study performed by the NYDEC disclosed contamination related to a former MGP. AmeriGas OLP responded to the NYDEC in 2009 to dispute the contention it was a PRP as it did not operate the MGP and appeared to only own a portion of the site. In 2017, the NYDEC communicated to AmeriGas OLP that the NYDEC had previously issued three RODs related to remediation of the site totaling approximately $28 and requested additional information regarding AmeriGas OLP's purported ownership. AmeriGas OLP renewed its challenge to designation as a PRP and identified potential defenses. The NYDEC subsequently identified a third party PRP with respect to the site.

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The NYDEC commenced implementation of the remediation plan in the spring of 2018. Based on our evaluation of the available information as of December 31, 2022, the Partnership has an undiscounted environmental remediation liability of $8 related to the site. Our share of the actual remediation costs could be significantly more or less than the accrued amount. 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 financial statements.

In addition to the matters described above, there are other 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 financial statements.

Note 10 — Defined Benefit Pension and Other Postretirement Plans

The Company maintains defined benefit pension plans and other postretirement plans for certain current and former employees. The service cost component of our pension and other postretirement plans, net of amounts capitalized, is reflected in “Operating and administrative expenses” on the Condensed Consolidated Statements of Income. The non-service cost components, net of amounts capitalized by Utilities as a regulatory asset, are reflected in “Other non-operating (expense) income, net” on the Condensed Consolidated Statements of Income. Other postretirement benefit cost was not material for all periods presented.

Net periodic pension cost includes the following components:

Three Months Ended December 31,	2022	2021
Service cost	$ 2	$ 4
Interest cost	9	6
Expected return on plan assets	(11)	(12)
Amortization of:		
Actuarial (gain) loss	(1)	2
Net benefit	$ (1)	$ —

(Currency in millions, except per share amounts and where indicated otherwise)

Note 11 — Fair Value Measurements

Recurring Fair Value Measurements

The following table presents, on a gross basis, our financial assets and liabilities, including both current and noncurrent portions, that are measured at fair value on a recurring basis within the fair value hierarchy:

	Asset (Liability)			
	Level 1	Level 2	Level 3	Total
December 31, 2022:				
Derivative instruments:				
Assets:				
Commodity contracts	$ 345	$ 329	$ —	$ 674
Foreign currency contracts	$ —	$ 35	$ —	$ 35
Interest rate contracts	$ —	$ 63	$ —	$ 63
Liabilities:				
Commodity contracts	$ (297)	$ (152)	$ —	$ (449)
Foreign currency contracts	$ —	$ (4)	$ —	$ (4)
Non-qualified supplemental postretirement grantor trust investments (a)	$ 46	$ —	$ —	$ 46
September 30, 2022:				
Derivative instruments:				
Assets:				
Commodity contracts (b)	$ 938	$ 1,268	$ 27	$ 2,233
Foreign currency contracts	$ —	$ 119	$ —	$ 119
Interest rate contracts	$ —	$ 66	$ —	$ 66
Liabilities:				
Commodity contracts (b)	$ (377)	$ (136)	$ —	$ (513)
Foreign currency contracts	$ —	$ (2)	$ —	$ (2)
Non-qualified supplemental postretirement grantor trust investments (a)	$ 43	$ —	$ —	$ 43
December 31, 2021:				
Derivative instruments:				
Assets:				
Commodity contracts	$ 411	$ 711	$ —	$ 1,122
Foreign currency contracts	$ —	$ 29	$ —	$ 29
Interest rate contracts	$ —	$ 5	$ —	$ 5
Liabilities:				
Commodity contracts	$ (160)	$ (18)	$ —	$ (178)
Foreign currency contracts	$ —	$ (7)	$ —	$ (7)
Interest rate contracts	$ —	$ (17)	$ —	$ (17)
Non-qualified supplemental postretirement grantor trust investments (a)	$ 52	$ —	$ —	$ 52

(a) Consists primarily of mutual fund investments held in grantor trusts associated with non-qualified supplemental retirement plans.
(b) Includes derivative assets and liabilities held-for-sale associated with the October 2022 sale of the U.K. energy marketing business (see Note 5).

The fair values of our Level 1 exchange-traded commodity futures and option contracts and non-exchange-traded commodity futures and forward contracts are based upon actively quoted market prices for identical assets and liabilities. Substantially all of the remaining derivative instruments are designated as Level 2. The fair values of certain non-exchange-traded commodity derivatives designated as Level 2 are based upon indicative price quotations available through brokers, industry price publications or recent market transactions and related market indicators. The fair values of our Level 2 interest rate contracts and foreign currency contracts are based upon third-party quotes or indicative values based on recent market transactions. The fair values of our Level 3 natural gas commodity contracts at September 30, 2022 attributable to our UGI International operations have been determined using unobservable inputs in an illiquid market and ranged from $7 to $27 given the available inputs considered. The actual realized value at which these contracts will settle could vary significantly compared to the fair values reflected at September 30, 2022. The fair values of investments held in grantor trusts are derived from quoted market prices as substantially all of the investments in these trusts have active markets.

(Currency in millions, except per share amounts and where indicated otherwise)

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. 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 type debt (Level 2). The carrying amounts and estimated fair values of our long-term debt (including current maturities but excluding unamortized debt issuance costs) were as follows:

	December 31, 2022	September 30, 2022	December 31, 2021
Carrying amount	$ 6,759	$ 6,665	$ 6,580
Estimated fair value	$ 6,350	$ 6,189	$ 7,048

Financial instruments other than derivative instruments, such as short-term investments and trade accounts receivable, could expose us to concentrations of credit risk. We limit credit risk from short-term investments by investing only in investment-grade commercial paper, money market mutual funds, securities guaranteed by the U.S. Government or its agencies and FDIC insured bank deposits. The credit risk arising from concentrations of trade accounts receivable is limited because we have a large customer base that extends across many different U.S. markets and a number of foreign countries. For information regarding concentrations of credit risk associated with our derivative instruments, see Note 12.

Note 12 — 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: (1) commodity price risk; (2) interest rate risk; and (3) foreign currency exchange 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. Although our commodity derivative instruments extend over a number of years, a significant portion of our commodity derivative instruments economically hedge commodity price risk during the next twelve months. For information on the accounting for our derivative instruments, see Note 2.

The following summarizes the types of derivative instruments used by the Company to manage certain market risks:

Commodity Price Risk

Regulated Utility Operations

Natural Gas

PA Gas Utility's tariffs contain clauses that permit recovery of all 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 PAPUC pursuant to PA Gas Utility's annual PGC filings, PA Gas Utility currently uses 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. See Note 7 for further information on the regulatory accounting treatment for these derivative instruments.

Non-utility Operations

LPG

In order to manage market price risk associated with the Partnership's fixed-price programs and to reduce the effects of short-term commodity price volatility, the Partnership uses over-the-counter derivative commodity instruments, principally price swap contracts. In addition, the Partnership and our UGI International operations also use over-the-counter price swap and option contracts to reduce commodity price volatility associated with a portion of their forecasted LPG purchases.

Natural Gas

In order to manage market price risk relating to fixed-price sales contracts for physical natural gas, Midstream & Marketing enters into NYMEX and over-the-counter natural gas futures and over-the-counter and ICE natural gas basis swap contracts. In addition, Midstream & Marketing uses NYMEX and over-the-counter futures and options contracts to economically hedge price volatility associated with the gross margin derived from the purchase and anticipated later near-term sale of natural gas storage inventories. Outside of the financial market, Midstream & Marketing also uses ICE and over-the-counter forward physical contracts. UGI International also uses natural gas futures and forward contracts to economically hedge market price risk associated with a substantial portion of anticipated volumes under fixed-price sales contracts with its customers.

Electricity

In order to manage market price risk relating to fixed-price sales contracts for electricity, Midstream & Marketing enters into electricity futures and forward contracts. Midstream & Marketing also uses NYMEX and over-the-counter electricity futures contracts to economically hedge the price of a portion of its anticipated future sales of electricity from its electric generation facilities. UGI International also uses electricity futures and forward contracts to economically hedge market price risk associated with fixed-price sales and purchase contracts for electricity.

Interest Rate Risk

Certain of our long-term debt agreements have interest rates that are generally indexed to short-term market interest rates. In order to fix the underlying short-term market interest rates, we may enter into pay-fixed, receive-variable interest rate swap agreements and designate such swaps as cash flow hedges.

The remainder of our long-term debt is typically issued at fixed rates of interest. As this long-term debt matures, 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 IRPAs. We account for IRPAs as cash flow hedges. There were no unsettled IRPAs during any of the periods presented. At December 31, 2022, the amount of pre-tax net gains associated with interest rate hedges expected to be reclassified into earnings during the next twelve months is $39.

Foreign Currency Exchange Rate Risk

Forward Foreign Currency Exchange Contracts

In order to reduce the volatility in net income associated with our foreign operations, principally as a result of changes in the USD exchange rate to the euro and British pound sterling, we enter into forward foreign currency exchange contracts. We layer in these foreign currency exchange contracts over a multi-year period to eventually equal approximately 90% of anticipated UGI International foreign currency earnings before income taxes. Because these contracts are not designated as hedging instruments, realized and unrealized gains and losses on these contracts are recorded in "Other non-operating (expense) income, net," on the Condensed Consolidated Statements of Income.

Net Investment Hedges

From time to time, we also enter into certain forward foreign currency exchange contracts to reduce the volatility of the USD value of a portion of our UGI International euro-denominated net investments, including anticipated foreign currency denominated dividends. We account for these foreign currency exchange contracts as net investment hedges and all changes in the fair value of these contracts are reported in the cumulative translation adjustment component in AOCI. We use the spot rate method to measure ineffectiveness of our net investment hedges.

Concurrent with the repayment of UGI International's 3.25% Senior Notes on December 7, 2021, we settled an associated net investment hedge having a notional value of €93. Additionally, in May 2022, we restructured certain net investment hedges associated with anticipated foreign currency denominated dividends. Cash flows from these settlements are included in cash flows from investing activities on the Condensed Consolidated Statements of Cash Flows.

Our euro-denominated long-term debt has also been designated as net investment hedges, representing a portion of our UGI International euro-denominated net investment. We recognized pre-tax (losses) gains associated with these net investment hedges in the cumulative translation adjustment component in AOCI of $(64) and $13 during the three months ended December 31, 2022 and 2021, respectively.

Quantitative Disclosures Related to Derivative Instruments

The following table summarizes by derivative type the gross notional amounts related to open derivative contracts at December 31, 2022, September 30, 2022 and December 31, 2021, and the final settlement dates of the Company's open derivative contracts as of December 31, 2022, but excluding those derivatives that qualified for the NPNS exception:

			Notional Amounts (in millions)		
Type	Units	Settlements Extending Through	December 31, 2022	September 30, 2022	December 31, 2021
Commodity Price Risk:					
Regulated Utility Operations					
PA Gas Utility NYMEX natural gas futures and option contracts	Dekatherms	September 2023	15	19	14
Non-utility Operations					
LPG swaps	Gallons	September 2025	844	874	732
Natural gas futures, forward, basis swap, options and pipeline contracts (a)	Dekatherms	October 2027	371	363	382
Electricity forward and futures contracts	Kilowatt hours	December 2026	2,270	2,446	4,261
Interest Rate Risk:					
Interest rate swaps	Euro	N/A	€ —	€ 300	€ 300
Interest rate swaps	USD	June 2026	$ 1,354	$ 1,358	$ 1,418
Foreign Currency Exchange Rate Risk:					
Forward foreign currency exchange contracts	USD	August 2025	$ 390	$ 465	$ 415
Net investment hedge forward foreign exchange contracts	Euro	December 2026	€ 331	€ 411	€ 486

(a) September 30, 2022 includes amounts held-for-sale associated with the October 2022 sale of the U.K. energy marketing business (see Note 5).

Derivative Instrument Credit Risk

We are exposed to risk of loss in the event of nonperformance by our derivative instrument counterparties. Our derivative instrument counterparties principally comprise large energy companies and major U.S. and international financial institutions. We maintain credit policies with regard to our counterparties that we believe reduce overall credit risk. These policies include evaluating and monitoring our counterparties' financial condition, including their credit ratings, and entering into agreements with counterparties that govern credit limits or entering into netting agreements that allow for offsetting counterparty receivable and payable balances for certain financial transactions, as deemed appropriate.

We have concentrations of credit risk associated with derivative instruments and we evaluate the creditworthiness of our derivative counterparties on an ongoing basis. As of December 31, 2022, the maximum amount of loss, based upon the gross fair values of the derivative instruments, we would incur if these counterparties failed to perform according to the terms of their contracts was $772. In general, many of our over-the-counter derivative instruments and all exchange contracts call for the posting of collateral by the counterparty or by the Company in the forms of letters of credit, parental guarantees or cash. At December 31, 2022, we had received cash collateral from derivative instrument counterparties totaling $108. In addition, we may have offsetting derivative liabilities and certain accounts payable balances with certain of these counterparties, which further mitigates the previously mentioned maximum amount of losses. Certain of the Partnership's derivative contracts have credit-risk-related contingent features that may require the posting of additional collateral in the event of a downgrade of the Partnership's debt rating. At December 31, 2022, if the credit-risk-related contingent features were triggered, the amount of collateral required to be posted would not be material.

Offsetting Derivative Assets and Liabilities

Derivative assets and liabilities are presented net by counterparty on the Condensed Consolidated Balance Sheets if the right of offset exists. We offset amounts recognized for the right to reclaim cash collateral or the obligation to return cash collateral against amounts recognized for derivative instruments executed with the same counterparty. 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, many 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 the 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.

(Currency in millions, except per share amounts and where indicated otherwise)

Fair Value of Derivative Instruments

The following table presents the Company’s derivative assets and liabilities by type, as well as the effects of offsetting:

	December 31, 2022	September 30, 2022	December 31, 2021
Derivative assets:			
Derivatives designated as hedging instruments:			
Foreign currency contracts	$ 11	$ 57	$ 10
Interest rate contracts	63	66	5
	74	123	15
Derivatives subject to PGC and DS mechanisms:			
Commodity contracts	18	31	10
Derivatives not designated as hedging instruments:			
Commodity contracts (a)	656	2,202	1,112
Foreign currency contracts	24	62	19
	680	2,264	1,131
Total derivative assets — gross	772	2,418	1,156
Gross amounts offset in the balance sheet	(239)	(295)	(116)
Cash collateral received	(108)	(398)	(205)
Total derivative assets — net	$ 425	$ 1,725	$ 835
Derivative liabilities:			
Derivatives designated as hedging instruments:			
Foreign currency contracts	$ —	$ —	$ (3)
Interest rate contracts	—	—	(17)
	—	—	(20)
Derivatives subject to PGC and DS mechanisms:			
Commodity contracts	(35)	(26)	(7)
Derivatives not designated as hedging instruments:			
Commodity contracts (a)	(414)	(487)	(171)
Foreign currency contracts	(4)	(2)	(4)
	(418)	(489)	(175)
Total derivative liabilities — gross	(453)	(515)	(202)
Gross amounts offset in the balance sheet	239	295	116
Cash collateral pledged	45	7	—
Total derivative liabilities — net	$ (169)	$ (213)	$ (86)

(a) September 30, 2022 includes derivative assets and liabilities held-for-sale associated with the October 2022 sale of the U.K. energy marketing business (see Note 5).

(Currency in millions, except per share amounts and where indicated otherwise)

Effects of Derivative Instruments

The following tables provide information on the effects of derivative instruments on the Condensed Consolidated Statements of Income and changes in AOCI:

Three Months Ended December 31,:

	Gain (Loss) Recognized in AOCI		Gain (Loss) Reclassified from AOCI into Income		Location of Gain (Loss) Reclassified from AOCI into Income
Cash Flow Hedges:	2022	2021	2022	2021	
Interest rate contracts	$ 4	$ 12	$ 7	$ (6)	Interest expense
Net Investment Hedges:					
Foreign currency contracts	$ (23)	$ —			

	Gain (Loss) Recognized in Income		
Derivatives Not Designated as Hedging Instruments:	2022	2021	Location of Gain (Loss) Recognized in Income
Commodity contracts	$ 4	$ 8	Revenues
Commodity contracts	(1,326)	(273)	Cost of sales
Commodity contracts	3	—	Other operating income, net
Foreign currency contracts	(32)	8	Other non-operating (expense) income, net
Total	$ (1,351)	$ (257)	

We are also a party to a number of other contracts that have elements of a derivative instrument. However, these contracts qualify for NPNS exception accounting 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. These contracts include, among others, binding purchase orders, contracts that provide for the purchase and delivery, or sale, of energy products, and service contracts that require the counterparty to provide commodity storage, transportation or capacity service to meet our normal sales commitments.

UGI CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements
(unaudited)
(Currency in millions, except per share amounts and where indicated otherwise)

Note 13 — Accumulated Other Comprehensive Income (Loss)

The tables below present changes in AOCI, net of tax:

Three Months Ended December 31, 2022	Postretirement Benefit Plans	Derivative Instruments	Foreign Currency	Total
AOCI — September 30, 2022	$ 14	$ 37	$ (431)	$ (380)
Other comprehensive income before reclassification adjustments	—	3	151	154
Amounts reclassified from AOCI	—	(5)	—	(5)
Other comprehensive (loss) income attributable to UGI	—	(2)	151	149
AOCI — December 31, 2022	$ 14	$ 35	$ (280)	$ (231)

Three Months Ended December 31, 2021	Postretirement Benefit Plans	Derivative Instruments	Foreign Currency	Total
AOCI — September 30, 2021	$ (17)	$ (33)	$ (90)	$ (140)
Other comprehensive income (loss) before reclassification adjustments	—	10	(32)	(22)
Amounts reclassified from AOCI	2	4	—	6
Other comprehensive income (loss) attributable to UGI	2	14	(32)	(16)
AOCI — December 31, 2021	$ (15)	$ (19)	$ (122)	$ (156)

Note 14 — Segment Information

Our operations comprise four reportable segments generally based upon products or services sold, geographic location and regulatory environment: (1) AmeriGas Propane; (2) UGI International; (3) Midstream & Marketing; and (4) Utilities.

Corporate & Other includes certain items that are excluded from our CODM’s assessment of segment performance (see below for further details on these items). Corporate & Other also includes the net expenses of UGI’s captive general liability insurance company, UGI’s corporate headquarters facility and UGI’s unallocated corporate and general expenses as well as interest expense on UGI debt that is not allocated. Corporate & Other assets principally comprise cash and cash equivalents of UGI and its captive insurance company, and UGI corporate headquarters’ assets. The accounting policies of our reportable segments are the same as those described in Note 2, “Summary of Significant Accounting Policies,” in the Company’s 2022 Annual Report.

Notes to Condensed Consolidated Financial Statements
(unaudited)
(Currency in millions, except per share amounts and where indicated otherwise)

Three Months Ended December 31, 2022	Total	Eliminations	AmeriGas Propane	UGI International	Midstream & Marketing	Utilities	Corporate & Other (a)
Revenues from external customers	$ 2,759	$ —	$ 766	$ 877	$ 554	$ 559	$ 3
Intersegment revenues	$ —	$ (149) (b)	$ —	$ —	$ 115	$ 33	$ 1
Cost of sales	$ 3,106	$ (149) (b)	$ 386	$ 662	$ 514	$ 329	$ 1,364
Operating (loss) income	$ (1,204)	$ 1	$ 110	$ 56	$ 106	$ 126	$ (1,603)
Income from equity investees	1	—	—	—	1	—	—
Other non-operating (loss) income, net	(28)	—	—	10	—	2	(40)
(Loss) earnings before interest expense and income taxes	(1,231)	1	110	66	107	128	(1,643)
Interest expense	(92)	—	(43)	(7)	(11)	(21)	(10)
(Loss) income before income taxes	$ (1,323)	$ 1	$ 67	$ 59	$ 96	$ 107	$ (1,653)
Depreciation and amortization	$ 131	$ —	$ 44	$ 28	$ 21	$ 37	$ 1
Capital expenditures (including the effects of accruals)	$ 178	$ —	$ 23	$ 27	$ 11	$ 117	$ —
As of December 31, 2022							
Total assets	$ 17,128	$ (252)	$ 4,331	$ 3,889	$ 3,298	$ 5,680	$ 182

Three Months Ended December 31, 2021	Total	Eliminations	AmeriGas Propane	UGI International	Midstream & Marketing	Utilities	Corporate & Other (a)
Revenues from external customers	$ 2,673	$ —	$ 778	$ 1,049	$ 441	$ 396	$ 9
Intersegment revenues	$ —	$ (118) (b)	$ —	$ —	$ 94	$ 23	$ 1
Cost of sales	$ 2,120	$ (117) (b)	$ 418	$ 793	$ 413	$ 200	$ 413
Operating (loss) income	$ (68)	$ —	$ 86	$ 78	$ 74	$ 96	$ (402)
Income from equity investees	8	—	—	—	8	—	—
Loss on extinguishments of debt	(11)	—	—	—	—	—	(11)
Other non-operating income, net	10	—	—	4	—	2	4
(Loss) earnings before interest expense and income taxes	(61)	—	86	82	82	98	(409)
Interest expense	(81)	—	(41)	(7)	(10)	(16)	(7)
(Loss) income before income taxes	$ (142)	$ —	$ 45	$ 75	$ 72	$ 82	$ (416)
Depreciation and amortization	$ 129	$ —	$ 44	$ 31	$ 19	$ 35	$ —
Capital expenditures (including the effects of accruals)	$ 175	$ —	$ 35	$ 23	$ 6	$ 111	$ —
As of December 31, 2021							
Total assets	$ 16,800	$ (269)	$ 4,614	$ 4,197	$ 2,999	$ 5,071	$ 188

(a) Corporate & Other includes specific items attributable to our reportable segments that are not included in the segment profit measures used by our CODM in assessing our reportable segments' performance or allocating resources. The following table presents such pre-tax gains (losses) which have been included in Corporate & Other, and the reportable segments to which they relate:

Notes to Condensed Consolidated Financial Statements
(unaudited)
(Currency in millions, except per share amounts and where indicated otherwise)

Three Months Ended December 31, 2022	Location on Income Statement	AmeriGas Propane	UGI International	Midstream & Marketing
Net gains on commodity derivative instruments not associated with current-period transactions	Revenues	$ —	$ 2	$ 2
Net losses on commodity derivative instruments not associated with current-period transactions	Cost of sales	$ (12)	$ (1,169)	$ (183)
Net gains on commodity derivative instruments not associated with current-period transactions	Other operating income, net	$ —	$ (2)	$ —
Unrealized losses on foreign currency derivative instruments	Other non-operating (expense) income, net	$ —	$ (40)	$ —
AmeriGas operations enhancement for growth project	Operating and administrative expenses	$ (7)	$ —	$ —
Loss on disposal of U.K. energy marketing business	Loss on disposal of U.K. energy marketing business	$ —	$ (215)	$ —
Impairment of assets	Operating and administrative expenses	$ —	$ (19)	$ —

Three Months Ended December 31, 2021	Location on Income Statement	AmeriGas Propane	UGI International	Midstream & Marketing
Net gains on commodity derivative instruments not associated with current-period transactions	Revenues	$ —	$ 3	$ 7
Net losses on commodity derivative instruments not associated with current-period transactions	Cost of sales	$ (69)	$ (212)	$ (132)
Unrealized gain on foreign currency derivative instruments	Other non-operating (expense) income, net	$ —	$ 6	$ —
Loss on extinguishment of debt	Loss on extinguishment of debt	$ —	$ (11)	$ —

(b) Represents the elimination of intersegment transactions principally among Midstream & Marketing, Utilities and AmeriGas Propane.

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 contains 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. Such statements use forward-looking words such as “believe,” “plan,” “anticipate,” “continue,” “estimate,” “expect,” “may,” or other similar words and terms of similar meaning, although not all forward-looking statements contain such words. These statements discuss plans, strategies, events or developments that we expect or anticipate will or may occur in the future. All forward-looking statements made in this Quarterly Report on Form 10-Q rely upon the safe harbor protections provided under the Private Securities Litigation Reform Act of 1995.

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 against relying on any forward-looking statement as these statements are subject to risks and uncertainties that may cause actual results to 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 those factors set forth in Item 1A. Risk Factors in this report and in the Company’s 2022 Annual Report as well as 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) weather conditions, including increasingly uncertain weather patterns due to climate change, resulting in reduced demand, the seasonal nature of our business, and disruptions in our operations and supply chain; (2) cost volatility and availability of energy products, including propane and other LPG, electricity, and natural gas, as well as the availability of LPG cylinders, and the capacity to transport product to our customers; (3) changes in domestic and foreign laws and regulations, including safety, health, tax, transportation, consumer protection, data privacy, accounting, and environmental matters, such as regulatory responses to climate change; (4) inability to timely recover costs through utility rate proceedings; (5) the impact of pending and future legal or regulatory proceedings, inquiries or investigations; (6) competitive pressures from the same and alternative energy sources; (7) failure to acquire new customers or retain current customers thereby reducing or limiting any increase in revenues; (8) liability for environmental claims; (9) increased customer conservation measures due to high energy prices and improvements in energy efficiency and technology resulting in reduced demand; (10) adverse labor relations and our ability to address existing or potential workforce shortages; (11) customer, counterparty, supplier, or vendor defaults; (12) liability for uninsured claims and for claims in excess of insurance coverage, including those for personal injury and property damage arising from explosions, acts of war, terrorism, natural disasters, pandemics, and other catastrophic events that may result from operating hazards and risks incidental to generating and distributing electricity and transporting, storing and distributing natural gas and LPG in all forms; (13) transmission or distribution system service interruptions; (14) political, regulatory and economic conditions in the United States, Europe and other foreign countries, including uncertainties related to the war between Russia and Ukraine, the European energy crisis, and foreign currency exchange rate fluctuations, particularly the euro; (15) credit and capital market conditions, including reduced access to capital markets and interest rate fluctuations; (16) changes in commodity market prices resulting in significantly higher cash collateral requirements; (17) impacts of our indebtedness and the restrictive covenants in our debt agreements; (18) reduced distributions from subsidiaries impacting the ability to pay dividends or service debt; (19) changes in Marcellus and Utica Shale gas production; (20) the availability, timing and success of our acquisitions, commercial initiatives and investments to grow our businesses; (21) our ability to successfully integrate acquired businesses and achieve anticipated synergies; (22) the interruption, disruption, failure, malfunction, or breach of our information technology systems, and those of our third-party vendors or service providers, including due to cyber attack; (23) the inability to complete pending or future energy infrastructure projects; (24) our ability to achieve the operational benefits and cost efficiencies expected from the completion of pending and future business transformation initiatives, including the impact of customer service disruptions resulting in potential customer loss due to the transformation activities; (25) our ability to attract, develop, retain and engage key employees; (26) uncertainties related to a global pandemic, including the duration and/or impact of the COVID-19 pandemic; (27) the impact of proposed or future tax legislation; (28) the impact of declines in the stock market or bond market, and a low interest rate environment, on our pension liability; (29) our ability to protect our intellectual property; and (30) our ability to overcome supply chain issues that may result in delays or shortages in, as well as increased costs of, equipment, materials or other resources that are critical to our business operations.

These factors, and those factors set forth in Item 1A. Risk Factors in this report and those factors set forth in Item 1A. Risk Factors in the Company’s 2022 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. Any forward-looking statement speaks only as of the date on which such statement is made. We undertake no obligation (and expressly disclaim any 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 the Company's results of operations for the 2022 three-month period with the 2021 three-month period. Our analysis of results of operations should be read in conjunction with the segment information included in Note 14 to Condensed Consolidated Financial Statements.

Because most of our businesses sell or distribute energy products used in large part for heating purposes, our results are significantly influenced by temperatures in our service territories, particularly during the heating-season months of October through March. As a result, our operating results, excluding the effects of gains and losses on derivative instruments not associated with current-period transactions as further discussed below, are significantly higher in our first and second fiscal quarters.

Non-GAAP Financial Measures

UGI management uses "adjusted net income attributable to UGI Corporation" and "adjusted diluted earnings per share," both of which are non-GAAP financial measures, when evaluating UGI's overall performance. Management believes that these non-GAAP measures provide meaningful information to investors about UGI's performance because they eliminate gains and losses on commodity and certain foreign currency derivative instruments not associated with current-period transactions and other significant discrete items that can affect the comparison of period-over-period results.

UGI does not designate its commodity and certain foreign currency derivative instruments as hedges under GAAP. Volatility in net income (loss) attributable to UGI Corporation can occur as a result of gains and losses on such derivative instruments not associated with current-period transactions. These gains and losses result principally from recording changes in unrealized gains and losses on unsettled commodity and certain foreign currency derivative instruments and, to a much lesser extent, certain realized gains and losses on settled commodity derivative instruments that are not associated with current-period transactions. However, because these derivative instruments economically hedge anticipated future purchases or sales of energy commodities, or in the case of certain foreign currency derivatives, reduce volatility in anticipated future earnings associated with our foreign operations, we expect that such gains or losses will be largely offset by gains or losses on anticipated future energy commodity transactions or mitigate volatility in anticipated future earnings. Non-GAAP financial measures are not in accordance with, or an alternative to, GAAP and should be considered in addition to, and not as a substitute for, the comparable GAAP measures.

The following tables reflect the adjustments referred to above and reconcile net loss attributable to UGI Corporation, the most directly comparable GAAP measure, to adjusted net income attributable to UGI Corporation, and reconcile diluted loss per share, the most directly comparable GAAP measure, to adjusted diluted earnings per share:

Adjusted net income attributable to UGI Corporation	Three Months Ended December 31,	
(Dollars in millions)	2022	2021
AmeriGas Propane	$ 49	$ 34
UGI International	45	57
Midstream & Marketing	77	51
Utilities	81	63
Corporate & Other (a)	(1,206)	(302)
Net loss attributable to UGI Corporation	(954)	(97)
Net losses on commodity derivative instruments not associated with current-period transactions (net of tax of $(363) and $(111), respectively)	999	292
Unrealized losses (gains) on foreign currency derivative instruments (net of tax of $(11), and $2, respectively)	29	(4)
Loss on extinguishment of debt (net of tax of $0 and $(3), respectively)	—	8
Acquisition and integration expenses associated with the Mountaineer Acquisition (net of tax of $0 and $0, respectively)	—	1
Business transformation expenses (net of tax of $(1) and $(1), respectively)	1	1
AmeriGas operations enhancement for growth project (net of tax of $(2) and $0, respectively)	5	—
Loss on disposal of U.K. energy marketing business (net of tax of $(64) and $0, respectively)	151	—
Impairment of assets (net of tax of $(4) and $0, respectively)	15	—
Total adjustments (a) (b)	1,200	298
Adjusted net income attributable to UGI Corporation	$ 246	$ 201

Adjusted diluted earnings per share	Three Months Ended December 31, 2022	Three Months Ended December 31, 2021
AmeriGas Propane	$ 0.23	$ 0.16
UGI International	0.21	0.26
Midstream & Marketing	0.35	0.24
Utilities	0.38	0.29
Corporate & Other (a)	(5.71)	(1.41)
Loss per share - diluted (c)	(4.54)	(0.46)
Net losses on commodity derivative instruments not associated with current-period transactions (c)	4.73	1.37
Unrealized losses (gains) on foreign currency derivative instruments	0.14	(0.02)
Loss on extinguishment of debt	—	0.03
Acquisition and integration expenses associated with the Mountaineer Acquisition	—	—
Business transformation expenses	—	0.01
AmeriGas operations enhancement for growth project	0.02	—
Loss on disposal of U.K. energy marketing business	0.72	—
Impairment of assets	0.07	—
Total adjustments (a)	5.68	1.39
Adjusted earnings per share - diluted (c)	$ 1.14	$ 0.93

(a) Corporate & Other includes certain adjustments made to our reporting segments in arriving at net income attributable to UGI Corporation. These adjustments have been excluded from the segment results to align with the measure used by our CODM in assessing segment performance and allocating resources. See Note 14 to Condensed Consolidated Financial Statements for additional information related to these adjustments, as well as other items included within Corporate & Other.
(b) Income taxes associated with pre-tax adjustments determined using statutory business unit tax rates.
(c) The loss per share for the three months ended December 31, 2022 and 2021, was determined excluding the effect of 6.43 million and 6.49 million dilutive shares, respectively, as the impact of such shares would have been antidilutive to the net loss for the periods. Adjusted earnings per share for the three months ended December 31, 2022 and 2021, was determined based upon fully dilutive shares of 216.37 million and 216.16 million, respectively.

EXECUTIVE OVERVIEW

Recent Developments

European Energy Marketing Business.

Sale of U.K. Energy Marketing Business. On October 21, 2022, UGI International, through a wholly-owned subsidiary, sold its natural gas marketing business located in the U.K. for a net cash payment of $19 million which includes certain working capital adjustments. In conjunction with the sale, during the three months ended December 31, 2022, the Company recorded a pre-tax loss of $215 million ($151 million after-tax) substantially all of which loss was due to the non-cash transfer of commodity derivative instruments associated with the business. At the date of closing of the sale, these commodity derivative instruments had a net carrying value of $206 million which is attributable to net unrealized gains on such instruments. At September 30, 2022, these derivative instruments had a net carrying value of $276 million. The change in the carrying amount of these derivative instruments between September 30, 2022 and October 21, 2022 resulted from changes in their fair value during that period.

Other UGI International Energy Marketing Businesses. In November 2022, the Company announced that it expected to sign a definitive agreement during the first quarter of Fiscal 2023 to sell its energy marketing business in France. In December 2022, the Company announced that it no longer expected to sign a definitive agreement during the first quarter of Fiscal 2023 as extended negotiations with the potential buyer had been discontinued. The Company continues to pursue the sale of its energy marketing business in France, as well as the wind-down of its energy marketing business located in Belgium and the Netherlands. At December 31, 2022, the sale of our energy marketing business in France was not considered probable of occurring within one year and, as such, assets and liabilities associated with this business was not classified as held for sale on the Condensed Consolidated Balance Sheet.

During the three months ended December 31, 2022, the Company recorded a $19 million pre-tax ($15 million after-tax) impairment charge to reduce the carrying values of certain assets associated with its energy marketing business in the Netherlands, comprising property, plant and equipment and intangible assets.

Global Macroeconomic Conditions. Beginning in Fiscal 2021 and continuing into Fiscal 2023, global commodity and labor markets have experienced significant inflationary pressures attributable to various economic and political factors, including, among others: the economic recovery and evolving consumer patterns associated with the COVID-19 pandemic; supply chain issues including those associated with labor shortages; significant increases and volatility in energy commodity prices; and political and regulatory conditions resulting from the war between Russia and Ukraine. These factors have contributed to inflationary pressures as evidenced by recent increases in various consumer price indices. In response to these inflationary pressures, central banks in the U.S. and Europe began increasing interest rates during Fiscal 2022. In addition, during the last several years, we have experienced significant volatility in energy commodity prices, particularly in LPG, natural gas and electricity prices, which have resulted in substantial fluctuations in the fair values of our commodity derivative instruments. These inflationary pressures and commodity price fluctuations have resulted in increases in inventory and certain operating and distribution expenses across all of our businesses. The commodity prices fluctuations have also significantly affected the cash collateral deposit requirements of our derivative instrument counterparties and the restricted cash required to be held in our derivative broker and clearing institution accounts. We cannot predict the duration or total magnitude of these conditions and the effects such conditions may have on our future business, financial results, financial position, and liquidity and cash flows. However, we continue to monitor and respond to these global economic and political conditions and remain focused on managing our financial condition and liquidity as these conditions continue to evolve.

2022 three-month period compared with 2021 three-month period

Discussion. Net loss attributable to UGI Corporation for the 2022 three-month period was $954 million (equal to $4.54 per diluted share) compared to net loss attributable to UGI Corporation of $97 million (equal to $0.46 loss per diluted share) during the 2021 three-month period. These results include net losses from changes in unrealized commodity derivative instruments and certain foreign currency derivative instruments of $1,028 million and $288 million during the 2022 and 2021 three-month periods, respectively. The higher losses from changes in commodity derivative instruments during the 2022 three-month period, principally reflects significant declines in commodity energy prices in Europe following unprecedented increases in such prices during Fiscal 2022. Net loss attributable to UGI Corporation during the 2022 three-month period also includes (1) a $151 million loss on the sale of our energy marketing business in the U.K., principally reflecting the impact of the transfer of derivative hedge contracts; (2) an impairment of assets of $15 million; (3) external advisory fees of $5 million associated with AmeriGas operations enhancement for growth project; and (4) business transformation expenses of $1 million associated with Corporate support functions. Net loss attributable to UGI Corporation during the 2021 three-month period also includes (1) an $8 million loss on extinguishment of debt at UGI International; (2) acquisition and integration expenses of $1 million associated with the Mountaineer Acquisition; and (3) business transformation expenses of $1 million.

Adjusted net income attributable to UGI Corporation for the 2022 three-month period was $246 million (equal to $1.14 per diluted share) compared to $201 million (equal to $0.93 per diluted share) during the 2021 three-month period. The increase in adjusted net income attributable to UGI Corporation during the 2022 three-month period reflects higher earnings contributions from our Midstream & Marketing, Utilities and AmeriGas Propane business segments partially offset by a lower earnings contribution from UGI International. Temperatures in our domestic business segments during the 2022 three-month period were colder than the prior-year period while temperatures in our UGI International segment were significantly warmer than the prior-year period.

AmeriGas Propane's adjusted net income attributable to UGI Corporation increased $15 million in the 2022 three-month period. This increase principally reflects higher average retail propane unit margin and slightly lower operating and administrative expenses primarily attributable to a workforce reduction made during Fiscal 2022 partially offset by higher distribution expenses.

UGI International's adjusted net income attributable to UGI Corporation decreased $12 million in the 2022 three-month period. The lower net income reflects, in part, the weaker euro during the 2022 three-month period compared to the prior-year period. Operating results reflect lower total margin principally due to the weaker currency and lower LPG volumes attributable to the warmer weather partially offset by the benefits of lower commodity prices and strong margin management. The lower total margin was partially offset by lower operating and administrative expenses principally reflecting the translation effects of the weaker euro.

Midstream & Marketing's adjusted net income attributable to UGI Corporation increased $26 million in the 2022 three-month period on colder temperatures. The increase in adjusted net income is primarily attributable to higher margins related to natural gas marketing activities and incremental contributions from UGI Moraine East and Pennant.

Utilities' adjusted net income attributable to UGI Corporation increased $18 million in the 2022 three-month period. The increase was largely related to the weather that was colder than the prior-year period, growth in the core market customers and the impacts of the PA Gas Utility base rate increase which became effective in October 2022. The increase in total margin was partially offset by higher operating and administrative expenses.

SEGMENT RESULTS OF OPERATIONS

2022 Three-Month Period Compared with the 2021 Three-Month Period

AmeriGas Propane

For the three months ended December 31,	2022	2021	(Decrease) Increase	
(Dollars in millions)				
Revenues	$ 766	$ 778	$ (12)	(2)%
Total margin (a)	$ 380	$ 360	$ 20	6 %
Operating and administrative expenses	$ 235	$ 240	$ (5)	(2)%
Operating income/earnings before interest expense and income taxes	$ 110	$ 86	$ 24	28 %
Retail gallons sold (millions)	236	241	(5)	(2)%
Heating degree days—% colder (warmer) than normal (b)	6.2 %	(9.9)%	—	—

(a) Total margin represents total revenues less total cost of sales.
(b) Deviation from average heating degree days is determined on a rolling 10-year period utilizing volume-weighted weather data based on weather statistics provided by NOAA for 344 regions in the U.S., excluding Alaska and Hawaii.

Average temperatures during the 2022 three-month period were 6.2% colder than normal and 17.9% colder than the prior-year period. Notwithstanding the colder weather, total retail gallons sold decreased 2% during the 2022 three-month period due to staffing shortages in key delivery-related positions, which also limited growth, as well as continuation of customer attrition, along with structural conservation.

Average daily wholesale propane commodity prices during the 2022 three-month period at Mont Belvieu, Texas, one of the major supply points in the U.S., were approximately 36% lower than such prices during the 2021 three-month period. Total revenues decreased $12 million during the 2022 three-month period largely reflecting the lower retail propane revenues ($11 million) primarily on the lower volumes sold and lower wholesale revenues ($5 million) partially offset by higher revenues from ancillary sales and services ($5 million).

Total cost of sales decreased $32 million during the 2022 three-month period largely reflecting the lower average propane product costs ($36 million) and the lower retail propane volumes sold ($7 million) partially offset by the increase in wholesale volumes sold ($9 million). Total margin increased $20 million in the 2022 three-month period largely attributable to the higher average retail propane unit margins ($26 million) partially offset by the effects of the lower retail propane volumes sold ($6 million).

Operating income and earnings before interest expense and income taxes each increased $24 million during the 2022 three-month period primarily reflecting the previously mentioned increase in total margin and lower operating and administrative expenses ($5 million). The decrease in operating and administrative expenses reflects lower salaries and benefits expenses, including the carryover impact from the workforce reductions made during Fiscal 2022, partially offset by higher overtime and contractor costs associated with distribution activity and higher vehicle expenses.

UGI International

For the three months ended December 31,	2022	2021	Decrease	
(Dollars in millions)				
Revenues	$ 877	$ 1,049	$ (172)	(16)%
Total margin (a)	$ 215	$ 256	$ (41)	(16)%
Operating and administrative expenses	$ 143	$ 161	$ (18)	(11)%
Operating income	$ 56	$ 78	$ (22)	(28)%
Earnings before interest expense and income taxes	$ 66	$ 82	$ (16)	(20)%
LPG retail gallons sold (millions)	205	249	(44)	(18)%
Heating degree days—% (warmer) colder than normal (b)	(12.3)%	5.0 %	—	—

(a) Total margin represents revenues less cost of sales.

(b) Deviation from average heating degree days is determined on a rolling 10-year period utilizing volume-weighted weather data at locations in our UGI International service territories.

Average temperatures during the 2022 three-month period were 12.3% warmer than normal and 18.8% warmer than the prior-year period. Total LPG retail gallons sold during the 2022 three-month period were 18% lower than the prior-year period largely attributable to reduced crop drying campaigns, significantly warmer weather and lower consumption, principally from residential customers, primarily resulting from conservation measures due in large part to high energy prices and war between Russia and Ukraine.

UGI International base-currency results are translated into USD based upon exchange rates experienced during the reporting periods. The functional currency of a significant portion of our UGI International results is the euro and, to a much lesser extent, the British pound sterling. During the 2022 and 2021 three-month periods, the average unweighted euro-to-USD translation rates were approximately $1.02 and $1.14, respectively, and the average unweighted British pound sterling-to-USD translation rates were approximately $1.17 and $1.35, respectively. Fluctuations in these foreign currency exchange rates can have a significant impact on the individual financial statement components discussed below. The Company uses forward foreign currency exchange contracts entered into over multi-year periods to reduce the volatility in earnings that may result from such changes in foreign currency exchange rates in earnings. These forward foreign currency exchange contracts resulted in realized net gains of $8 million and $4 million in the 2022 and 2021 three-month periods, respectively.

UGI International revenues and cost of sales decreased $172 million and $131 million, respectively, during the 2022 three-month period compared to the prior-year period. Average wholesale prices for propane and butane during the 2022 three-month period in northwest Europe were approximately 16% and 6% lower, respectively, compared with the prior-year period. The decrease in revenues and cost of sales principally reflects the lower retail volumes sold and the translation effects of the weaker foreign currencies (approximately $100 million and $73 million, respectively).

UGI International total margin decreased $41 million during the 2022 three-month period primarily reflecting the effects of the lower retail volumes sold and the translation effects of the weaker foreign currencies (approximately $27 million). These factors were partially offset by higher average unit margins from our LPG business attributable to strong margin management efforts. Total margin from energy marketing activities were comparable to the prior-year period as higher total margin from natural gas marketing activities was offset by lower total margin from electricity marketing activities.

UGI International operating income and earnings before interest expense and income taxes decreased $22 million and $16 million, respectively. The decrease in operating income principally reflects the previously mentioned $41 million decrease in total margin and lower gains associated with sales of assets ($10 million), partially offset by lower operating and administrative expenses ($18 million), higher foreign currency transaction gains ($7 million) and lower depreciation and amortization expenses ($3 million). The lower operating and administrative expenses in the 2022 three-month period primarily reflects the translation effects of the weaker foreign currencies. The decrease in earnings before interest expense and income taxes in the 2022 three-month period largely reflects the $22 million decrease in operating income partially offset by higher realized gains on foreign currency exchange contracts entered into in order to reduce volatility in UGI International earnings resulting from the effects of changes in foreign currency exchange rates ($4 million).

Midstream & Marketing

For the three months ended December 31,	2022	2021	Increase	
(Dollars in millions)				
Revenues	$ 669	$ 535	$ 134	25 %
Total margin (a)	$ 155	$ 122	$ 33	27 %
Operating and administrative expenses	$ 29	$ 29	$ —	— %
Operating income	$ 106	$ 74	$ 32	43 %
Earnings before interest expense and income taxes	$ 107	$ 82	$ 25	30 %

(a) Total margin represents revenues less cost of sales.

Average temperatures across Midstream & Marketing’s energy marketing territory during the 2022 three-month period were 1% warmer than normal and 13% colder than the prior-year period.

Midstream & Marketing revenues increased $134 million compared to the prior-year period, principally reflecting increased revenues from natural gas and power marketing activities ($119 million), including the effects of peaking and capacity management activities, that were impacted by higher natural gas prices. The increase in revenues also includes higher natural gas gathering activities ($14 million), primarily due to the prior year acquisitions of UGI Moraine East and Pennant, and power generation, partially offset by reduced RNG credit sales.

Midstream & Marketing cost of sales increased $101 million compared to the prior-year period, primarily reflecting the higher natural gas costs related to the previously mentioned natural gas and power marketing activities ($97 million).

Midstream & Marketing total margin increased $33 million in the 2022 three-month period reflecting increased margins from natural gas marketing activities ($18 million), including the effects of peaking and capacity management activities from particularly cold weather at the end of December. The increase in total margin also includes incremental natural gas gathering activities ($14 million), primarily from the prior year acquisitions of UGI Moraine East and Pennant.

Midstream & Marketing operating income and earnings before interest expense and income taxes during the 2022 three-month period increased $32 million and $25 million, respectively, compared to the prior-year period. The increase in operating income is largely attributable to the previously mentioned increase in total margin. The increase in earnings before interest expense and income taxes principally reflects the increase in operating income, partially offset by lower income from equity method investments following the acquisition of the remaining 53% ownership interest in Pennant during the fourth quarter of Fiscal 2022.

Utilities

For the three months ended December 31,	2022	2021	Increase	
(Dollars in millions)				
Revenues	$ 592	$ 419	$ 173	41 %
Total margin (a)	$ 256	$ 213	$ 43	20 %
Operating and administrative expenses (a)	$ 91	$ 80	$ 11	14 %
Operating income	$ 126	$ 96	$ 30	31 %
Earnings before interest expense and income taxes	$ 128	$ 98	$ 30	31 %
Gas Utility system throughput—bcf				
Core market	34	29	5	17 %
Total	94	93	1	1 %
Electric Utility distribution sales - gwh	246	242	4	2 %
Gas Utility heating degree days—% colder (warmer) than normal (b)	0.2 %	(15.1)%	—	—

(a) Total margin represents revenues less cost of sales and revenue-related taxes (i.e., gross receipts and business and occupation taxes) of $7 million and $6 million, respectively, during the 2022 and 2021 three-month periods. For financial statement purposes, revenue-related taxes are included in "Operating and administrative expenses" on the Condensed Consolidated Statements of Income (but are excluded from operating and administrative expenses presented above).

(b) Deviation from average heating degree days is determined on a 10-year period utilizing volume-weighted weather data based on weather statistics provided by NOAA for airports located within Gas Utility's service territories.

Temperatures in Gas Utility's service territories during the 2022 three-month period were slightly colder than normal and 17.3% colder than the prior-year period. The increase in Gas Utility core market volumes (5 bcf or a 17% increase) during the 2022 three-month period is largely related to the weather that was colder than the prior-year period and growth in the core market customers.

Utilities revenues increased $173 million in the 2022 three-month period reflecting a $163 million increase in Gas Utility revenues and a $10 million increase in Electric Utility revenues. The increase in Gas Utility revenues was largely driven by higher PGC rates reflecting higher natural gas costs, higher core market volumes, higher pricing on off-system sales, and the effects of the increase in base rates for PA Gas Utility that went into effect in October 2022. The increase in Electric Utility revenues was largely driven by higher DS rates reflecting higher power costs.

Utilities cost of sales (including revenue-related taxes) increased $130 million in the 2022 three-month period primarily attributable to Gas Utility ($122 million) mainly reflecting higher PGC rates and, to a much lesser extent, increased cost of sales associated with off-system sales. Electric Utility cost of sales increased $8 million during the 2022 three-month period largely reflecting the higher DS rates.

Utilities total margin increased $43 million during the 2022 three-month period primarily attributable to higher Gas Utility total margin ($41 million) mainly reflecting weather that was colder than the prior-year period and the effects of the increase in base rates for PA Gas Utility that went into effect in October 2022. Electric Utility margin was relatively flat compared to the prior-year period.

Utilities operating income and earnings before interest expense and income taxes each increased $30 million during the 2022 three-month period. These increases largely reflect the previously mentioned increase in total margin partially offset by higher operating and administrative expenses ($11 million) and higher depreciation expense ($2 million). The higher operating and administrative expenses reflect, among other things, higher uncollectible accounts expenses, taxes other than income taxes and salary expenses. The higher depreciation expense compared to the prior-year period reflects the effects of continued distribution system capital expenditure activity.

Interest Expense and Income Taxes

Our consolidated interest expense during the 2022 three-month period was $92 million compared to $81 million during the 2021 three-month period. The increase in interest expense principally reflects the effects of higher credit agreement interest rates and borrowings, and higher long-term debt outstanding primarily at UGI Utilities.

The decrease in the Company's effective income tax rate for the 2022 three-month period principally reflects the effects on the estimated annual effective income tax rate from a greater concentration of pre-tax results in higher tax rate jurisdictions primarily resulting from the significant current-period losses on commodity derivative instruments at our UGI International segment, an expected increase in deferred tax valuation allowances, and the availability of investment tax credits in Fiscal 2023 following enactment of the Inflation Reduction Act.

The Company continues to evaluate the elections available under current regulations and pending legislation. Accordingly, the impacts on the Company's income tax provisions and taxes payable or refundable related to these items are subject to change.

FINANCIAL CONDITION AND LIQUIDITY

The Company expects to have sufficient liquidity, including cash on hand and available borrowing capacity, to continue to support long-term commitments and ongoing operations despite uncertainties associated with ongoing global macroeconomic conditions including, among others, changes in consumer behavior resulting from the COVID-19 pandemic, the inflationary cost environment and ongoing energy commodity price volatility. Our total available liquidity balance, comprising cash and cash equivalents and available borrowing capacity on our revolving credit facilities, totaled approximately $1.2 billion and $1.7 billion at December 31, 2022 and September 30, 2022, respectively. Our total available liquidity at December 31, 2022 was affected, in part, by the impact of cash collateral payments associated with a significant decline in commodity prices during the 2022 three-month period and increases in restricted cash margin requirements in commodity futures brokerage accounts, principally at UGI International. The Company does not have any scheduled near-term maturities of long-term debt, other than the UGI International Credit Facilities Agreement. The UGI International Credit Facilities Agreement, consists of (1) a €300 million variable-rate term loan facility and (2) a €300 million multicurrency revolving credit facility, which is scheduled to mature in October 2023. At December 31, 2022, the €300 million ($321 million) variable-rate term loan is reflected in "Current maturities of long-term debt" on the Condensed Consolidated Balance Sheet. The Company expects to refinance the UGI International Credit Facilities Agreement during the first half of Fiscal 2023. In the absence of a refinance, the Company expects to have sufficient liquidity to satisfy its obligations as they become due over the next twelve months. The Company cannot predict the duration or total magnitude of the uncertain economic factors mentioned above and the total effects they will have on its liquidity, debt covenants, financial condition or the timing of capital expenditures. UGI and its subsidiaries were in compliance with all debt covenants as of December 31, 2022.

We depend on both internal and external sources of liquidity to provide funds for working capital and to fund capital requirements. Our short-term cash requirements not met by cash from operations are generally satisfied with borrowings under credit facilities and, in the case of Midstream & Marketing, also from a Receivables Facility. Long-term cash requirements are generally met through the issuance of long-term debt or equity securities. We believe that each of our business units has sufficient liquidity in the forms of cash and cash equivalents on hand; cash expected to be generated from operations; credit facility and Receivables Facility borrowing capacity; and the ability to obtain long-term financing to meet anticipated contractual and projected cash commitments. Issuances of debt and equity securities in the capital markets and additional credit facilities may not, however, be available to us on acceptable terms.

The primary sources of UGI's cash and cash equivalents are the dividends and other cash payments made to UGI or its corporate subsidiaries by its principal business units. Our cash and cash equivalents totaled $317 million at December 31, 2022, compared with $405 million at September 30, 2022. The decrease in cash and cash equivalents since September 30, 2022 is primarily attributable to commodity price volatility experienced in the 2022 three-month period and the seasonality of our business as further described in "Cash Flows" below. Excluding cash and cash equivalents that reside at UGI's operating subsidiaries, at December 31, 2022 and September 30, 2022, UGI had $120 million and $140 million of cash and cash equivalents, respectively. Such cash is available to pay dividends on UGI Common Stock and for investment purposes.

Long-term Debt and Credit Facilities

Long-term Debt

The Company's debt outstanding at December 31, 2022 and September 30, 2022, comprises the following:

	December 31, 2022						September 30, 2022
(Millions of dollars)	AmeriGas Propane	UGI International	Midstream & Marketing	Utilities	Corp & Other	Total	Total
Short-term borrowings	$ 148	$ 327	$ 121	$ 395	$ —	$ 991	$ 368
Long-term debt (including current maturities):							
Senior notes	$ 2,575	$ 429	$ —	$ 1,505	$ —	$ 4,509	$ 4,472
Term loans	—	321	676	134	756	1,887	1,871
Other long-term debt	—	2	40	23	298	363	322
Unamortized debt issuance costs	(11)	(6)	(7)	(6)	(4)	(34)	(33)
Total long-term debt	$ 2,564	$ 746	$ 709	$ 1,656	$ 1,050	$ 6,725	$ 6,632
Total debt	$ 2,712	$ 1,073	$ 830	$ 2,051	$ 1,050	$ 7,716	$ 7,000

Credit Facilities

Additional information related to the Company's credit agreements can be found in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," and Note 6 to Consolidated Financial Statements in the Company's 2022 Annual Report.

Information about the Company's principal credit agreements (excluding the Receivables Facility discussed below) as of December 31, 2022 and 2021, is presented in the table below.

(Currency in millions)	Total Capacity		Borrowings Outstanding		Letters of Credit and Guarantees Outstanding		Available Borrowing Capacity	
As of December 31, 2022								
AmeriGas OLP	$	600	$	148	$	2	$	450
UGI International, LLC (a)	€	300	€	300	€	—	€	—
Energy Services	$	260	$	—	$	—	$	260
UGI Utilities	$	425	$	294	$	—	$	131
Mountaineer	$	150	$	101	$	—	$	49
UGI Corporation (b)	$	300	$	292	$	—	$	8
As of December 31, 2021								
AmeriGas OLP	$	600	$	205	$	3	$	392
UGI International, LLC (a)	€	300	€	—	€	—	€	300
Energy Services	$	260	$	—	$	—	$	260
UGI Utilities	$	350	$	253	$	—	$	97
Mountaineer	$	100	$	66	$	—	$	34
UGI Corporation (b)	$	300	$	255	$	—	$	45

(a) Permits UGI International, LLC to borrow in euros or USD. At December 31, 2022, the amount borrowed consisted of euro-denominated borrowings equivalent to $321 million.
(b) Borrowings outstanding have been classified as "Long-term debt" on the Condensed Consolidated Balance Sheets. Subsequent to December 31, 2022, the Company repaid $20 million of such borrowings and classified these repayments as "Current maturities of long-term debt" on the December 31, 2022 Condensed Consolidated Balance Sheet.

The average daily and peak short-term borrowings under the Company's principal credit agreements are as follows:

	For the three months ended December 31, 2022				For the three months ended December 31, 2021			
(Millions of dollars or euros)	Average		Peak		Average		Peak	
AmeriGas OLP	$	199	$	242	$	275	$	388
UGI International, LLC	€	168	€	300	€	13	€	40
Energy Services	$	1	$	25	$	—	$	—
UGI Utilities	$	229	$	307	$	190	$	258
Mountaineer	$	89	$	101	$	61	$	80
UGI Corporation	$	199	$	292	$	125	$	255

Receivables Facility. Energy Services has a Receivables Facility with an issuer of receivables-backed commercial paper currently scheduled to expire in October 2023. The Receivables Facility provides Energy Services with the ability to borrow up to $150 million of eligible receivables during the period October 21, 2022 to April 30, 2023, and up to $75 million of eligible receivables during the period May 1, 2023 to October 20, 2023. Energy Services uses the Receivables Facility to fund working capital, margin calls under commodity futures contracts, capital expenditures, dividends and for general corporate purposes.

Under the Receivables Facility, Energy Services transfers, on an ongoing basis and without recourse, its trade accounts receivable to its wholly owned, special purpose subsidiary, ESFC, which is consolidated for financial statement purposes. ESFC, in turn, has sold and, subject to certain conditions, may from time to time sell, an undivided interest in some or all of the receivables to a major bank. Amounts sold to the bank are reflected as "Short-term borrowings" on the Condensed Consolidated Balance Sheets. ESFC was created and has been structured to isolate its assets from creditors of Energy Services and its affiliates, including UGI. Trade receivables sold to the bank remain on the Company's balance sheet and the Company reflects a liability equal to the amount advanced by the bank. The Company records interest expense on amounts owed to the bank. Energy Services continues to service, administer and collect trade receivables on behalf of the bank, as applicable.

At December 31, 2022, the outstanding balance of ESFC trade receivables was $128 million, $121 million of which were sold to the bank. At December 31, 2021, the outstanding balance of ESFC trade receivables was $115 million, none of which were sold to the bank. During the three months ended December 31, 2022, peak sales of receivables and average daily amounts sold were $121 million and $30 million, respectively. There were no sales of receivables under the Receivables Facility during the three months ended December 31, 2021.

Significant Financing Activities

UGI Utilities Credit Agreement. On December 13, 2022, UGI Utilities entered into an amendment to the UGI Utilities Credit Agreement, providing for borrowings up to $425 million and to replace the use of LIBOR with SOFR. Borrowings under the amended UGI Utilities Credit Agreement can be used to finance the working capital needs of UGI Utilities and for general corporate purposes. The UGI Utilities Credit Agreement is scheduled to expire June 2024.

Borrowings under the amended UGI Utilities Credit Agreement bear interest, subject to our election, at a floating rate of either (i) Term SOFR plus the applicable margin plus a credit spread adjustment of 0.10% or (ii) the base rate plus the applicable margin. The applicable margin remains unchanged from the original credit agreement.

Mountaineer Credit Agreement. On October 20, 2022, Mountaineer entered into the Mountaineer 2023 Credit Agreement, as borrower, with a group of lenders. The Mountaineer 2023 Credit Agreement amends and restates a previous credit agreement and provides for borrowings up to $150 million, including a $20 million sublimit for letters of credit. Mountaineer may request an increase in the amount of loan commitments to a maximum aggregate amount of $250 million, subject to certain terms and conditions. Borrowings under the Mountaineer 2023 Credit Agreement can be used to finance the working capital needs of Mountaineer and for general corporate purposes. The Mountaineer 2023 Credit Agreement is scheduled to expire in November 2024, with an option to extend the maturity date.

Borrowings under the Mountaineer 2023 Credit Agreement bear interest, subject to our election, at either (i) the base rate, defined as the highest of (a) the prime rate, (b) the federal funds rate plus 0.50% and (c) the adjusted term SOFR rate for a one-month tenor plus 1%, in each case, plus the applicable margin or (ii) the adjusted term SOFR rate plus the applicable margin. The applicable margin for base rate loans ranges from 0% to 1.25%, and for SOFR loans from 1.00% to 2.25%, depending on the debt rating of Mountaineer. The adjusted term SOFR rate is defined as the term SOFR reference rate for the selected interest period, plus 0.10% per annum for a one-month interest period, 0.15% per annum for a three-month interest period, or 0.25% per annum for a six-month interest period.

Dividends and Repurchases of Common Stock

On November 17, 2022, UGI's Board of Directors declared a cash dividend equal to $0.36 per common share. The dividend was paid on January 1, 2023, to shareholders of record on December 15, 2022. On February 1, 2023, UGI's Board of Director's declared a quarterly dividend of $0.36 per common share. The dividend is payable April 1, 2023, to shareholders of record on March 15, 2023.

On February 2, 2022, UGI's Board of Directors authorized an extension of an existing share repurchase program for up to 8 million shares of UGI Common Stock for an additional four-year period, expiring in February 2026. Pursuant to such authorization, during the three months ended December 31, 2022, the Company purchased 0.3 million shares on the open market at a total purchase price of approximately $12 million.

Cash Flows

Due to the seasonal nature of the Company's businesses, cash flows from operating activities are generally strongest during the second and third fiscal quarters when customers pay for natural gas, LPG, electricity and other energy products and services consumed during the peak heating season months. Conversely, operating cash flows are generally at their lowest levels during the fourth and first fiscal quarters when the Company's investment in working capital, principally inventories and accounts receivable, is generally greatest.

Operating Activities. Year-to-year variations in our cash flows from operating activities can be significantly affected by changes in operating working capital, especially during periods with significant changes in energy commodity prices. Cash flow used by operating activities was $240 million in the 2022 three-month period compared to $594 million in the 2021 three-month period. Cash flow from operating activities before changes in operating working capital was $491 million in the 2022 three-month period compared to $330 million in the 2021 three-month period. Cash used to fund changes in operating working capital totaled $731 million in the 2022 three-month period compared to $924 million in the 2021 three-month period. The decrease in cash used to fund operating working capital changes in the 2022 three-month period principally reflects lower cash required to fund changes in accounts receivable and inventories reflecting in large part the effects of lower commodity prices and lower volumes in the current-year period. Partially offsetting these lower cash requirements were higher cash collateral payments associated with commodity derivative instruments principally reflecting repayments of collateral received in prior periods as a result of the changes in commodity prices.

Investing Activities. Investing activity cash flow is principally affected by cash expenditures for property, plant and equipment; cash paid for acquisitions of businesses and assets; investments in equity method investees; and cash proceeds from sales and retirements of property, plant and equipment. Cash flow used by investing activities was $271 million in the 2022 three-month period compared to $154 million in the 2021 three-month period. Cash expenditures for property, plant and equipment were $210 million in the 2022 three-month period compared with $186 million in the 2021 three-month period principally reflecting higher cash capital expenditures in our Utilities segment. Investments in equity method investments during the 2022 three-month period include our continuing investments in renewable energy projects. Cash inflows associated with investing activities during the 2021 three-month period includes cash received from the settlement of certain forward foreign currency contracts.

Financing Activities. Changes in cash flow from financing activities are primarily due to issuances and repayments of long-term debt; net short-term borrowings; dividends on UGI Common Stock; quarterly payments on outstanding Purchase Contracts; and issuances and repurchases of equity instruments.

Cash flow provided by financing activities was $548 million in the 2022 three-month period compared to $234 million in the 2021 three-month period. The higher cash flow from financing activities in the 2022 three-month period is due to higher short-term borrowings of which a large portion of the proceeds were used to fund derivative commodity instrument collateral repayments and restricted cash margin requirements in commodity futures brokerage accounts. Cash flow from financing activities in the prior-year period includes the effects of the refinancing of senior notes at UGI International.

UTILITY REGULATORY MATTERS

UGI Utilities. On January 27, 2023, Electric Utility filed a rate request with the PAPUC to increase its annual base distribution revenues by $11 million. The increased revenues would fund ongoing system improvements and operations necessary to maintain safe and reliable electric service. Electric Utility requested that the new electric rates become effective March 28, 2023. However, the PAPUC typically suspends the effective date for general base rate proceedings for a period not to exceed nine months after the filing date to allow for the investigation and public hearing. The Company cannot predict the timing or the ultimate outcome of the rate case review process.

On January 28, 2022, PA Gas Utility filed a request with the PAPUC to increase its base operating revenues for residential, commercial and industrial customers by $83 million annually. On September 15, 2022, the PAPUC issued a final order approving a settlement providing for a $49 million annual base distribution rate increase for PA Gas Utility, through a phased approach, with $38 million beginning October 29, 2022 and an additional $11 million beginning October 1, 2023. In accordance with the terms of the final order, PA Gas Utility will not be permitted to file a rate case prior to January 1, 2024. Also in accordance with the terms of the final order, PA Gas Utility was authorized to implement a weather normalization adjustment rider as a 5-year pilot program beginning on November 1, 2022. Under this rider, when weather deviates from normal by more than 3%, residential and small commercial customer billings for distribution services are adjusted monthly for weather related impacts exceeding the 3% threshold. Additionally, under the terms of the final order, PA Gas Utility was authorized to implement a DSIC once its total property, plant and equipment less accumulated depreciation reached $3,368 million (which threshold was achieved in September 2022).

On February 8, 2021, Electric Utility filed a rate request with the PAPUC to increase its annual base distribution revenues by $9 million. On October 28, 2021, the PAPUC issued a final Order approving a settlement that permitted Electric Utility, effective November 9, 2021, to increase its base distribution revenues by $6 million.

Mountaineer. On February 1, 2023, Mountaineer filed a Notice of Intent to File a General Rate Case with the WVPSC.

On July 29, 2022, Mountaineer submitted its 2022 IREP filing to the WVPSC requesting recovery of costs associated with capital investments totaling $354 million over the 2023 - 2027 five-year period, including $64 million in calendar year 2023. On November 16, 2022, Mountaineer and the intervening parties submitted a Joint Stipulation and Agreement for Settlement to the WVPSC requesting approval of 2023 IREP revenue of $22 million to be charged effective January 1, 2023, which includes the recovery of a $1 million under-recovery of 2021 IREP revenue. On December 21, 2022, the WVPSC issued an order approving the Joint Stipulation and Agreement for Settlement as filed.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our primary market risk exposures are (1) commodity price risk; (2) interest rate risk; and (3) foreign currency exchange 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

The risk associated with fluctuations in the prices the Partnership and our UGI International operations pay for LPG is principally a result of market forces reflecting changes in supply and demand for LPG and other energy commodities. Their profitability is sensitive to changes in LPG supply costs. Increases in supply costs are generally passed on to customers. The Partnership and UGI International may not, however, always be able to pass through product cost increases fully or on a timely basis, particularly when product costs rise rapidly. In order to reduce the volatility of LPG market price risk, the Partnership uses contracts for the forward purchase or sale of propane, propane fixed-price supply agreements and over-the-counter derivative commodity instruments including price swap and option contracts. Our UGI International operations use over-the-counter derivative commodity instruments and may from time to time enter into other derivative contracts, similar to those used by the Partnership, to reduce market risk associated with a portion of their LPG purchases. Over-the-counter derivative commodity instruments used to economically hedge forecasted purchases of LPG are generally settled at expiration of the contract.

Utilities' tariffs contain clauses that permit recovery of all prudently incurred costs of natural gas it sells to its retail core-market 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 billed to customers through PGC and PGA rates and the recoverable costs incurred. Because of this ratemaking mechanism, there is limited commodity price risk associated with our Utilities operations. PA 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 PA Gas Utility's PGC recovery mechanism.

In order to manage market price risk relating to substantially all of Midstream & Marketing's fixed-price sale contracts for physical natural gas and electricity, Midstream & Marketing enters into NYMEX, ICE and over-the-counter natural gas and electricity futures and option contracts, and natural gas basis swap contracts or enters into fixed-price supply arrangements. Midstream & Marketing also uses NYMEX and over-the-counter electricity futures contracts to economically hedge a portion of its anticipated sales of electricity from its electricity generation facilities. Although Midstream & Marketing's fixed-price supply arrangements mitigate most risks associated with its fixed-price sales contracts, should any of the suppliers under these arrangements fail to perform, increases, if any, in the cost of replacement natural gas or electricity would adversely impact Midstream & Marketing's results. In order to reduce this risk of supplier nonperformance, Midstream & Marketing has diversified its purchases across a number of suppliers. UGI International's natural gas and electricity marketing businesses also use natural gas and electricity futures and forward contracts to economically hedge market risk associated with a substantial portion of anticipated volumes under fixed-price sales and purchase contracts.

Midstream & Marketing has entered into fixed-price sales agreements for a portion of the electricity expected to be generated by its electric generation assets. In the event that these generation assets would not be able to produce all of the electricity needed to supply electricity under these agreements, Midstream & Marketing would be required to purchase electricity on the spot market or under contract with other electricity suppliers. Accordingly, increases in the cost of replacement power could negatively impact Midstream & Marketing's results.

Interest Rate Risk

We have both fixed-rate and variable-rate debt. Changes in interest rates impact the cash flows of variable-rate debt but generally do not impact their fair value. Conversely, changes in interest rates impact the fair value of fixed-rate debt but do not impact their cash flows.

Our variable-rate debt at December 31, 2022, includes revolving credit facility borrowings and variable-rate term loans at UGI International, Utilities, Energy Services and UGI Corporation. These debt agreements have interest rates that are generally indexed to short-term market interest rates. We have entered into pay-fixed, receive-variable interest rate swap agreements on all or a significant portion of the term loans' principal balances and all or a significant portion of the term loans' tenor. We have designated these interest rate swaps as cash flow hedges. At December 31, 2022, combined borrowings outstanding under variable-rate debt agreements, excluding the previously mentioned effectively fixed-rate debt, totaled $1,774 million.

Long-term debt associated with our domestic businesses is typically issued at fixed rates of interest based upon market rates for debt with similar terms and credit ratings. As these long-term debt issues mature, we may refinance such debt with new debt having interest rates reflecting then-current market conditions. In order to reduce interest rate risk associated with near- to medium-term forecasted issuances of fixed rate debt, from time to time we enter into IRPAs.

Foreign Currency Exchange Rate Risk

Our primary currency exchange rate risk is associated with the USD versus the euro and, to a lesser extent, the USD versus the British pound sterling. The USD value of our foreign currency denominated assets and liabilities will fluctuate with changes in the associated foreign currency exchange rates. From time to time, we use derivative instruments to hedge portions of our net investments in foreign subsidiaries, including anticipated foreign currency denominated dividends. Gains or losses on these net investment hedges remain in AOCI until such foreign operations are sold or liquidated. With respect to our net investments in our UGI International operations, a 10% decline in the value of the associated foreign currencies versus the USD would reduce their aggregate net book value at December 31, 2022, by approximately $105 million, which amount would be reflected in other comprehensive income. We have designated certain euro-denominated borrowings as net investment hedges.

In order to reduce the volatility in net income associated with our foreign operations, principally as a result of changes in the USD exchange rate between the euro and British pound sterling, we enter into forward foreign currency exchange contracts. We layer in these foreign currency exchange contracts over a multi-year period to eventually equal approximately 90% of anticipated UGI International foreign currency earnings before income taxes.

Derivative Instrument Credit Risk

We are exposed to risk of loss in the event of nonperformance by our derivative instrument counterparties. Our derivative instrument counterparties principally comprise large energy companies and major U.S. and international financial institutions. We maintain credit policies with regard to our counterparties that we believe reduce overall credit risk. These policies include evaluating and monitoring our counterparties' financial condition, including their credit ratings, and entering into agreements with counterparties that govern credit limits or entering into netting agreements that allow for offsetting counterparty receivable and payable balances for certain financial transactions, as deemed appropriate.

We have concentrations of credit risk associated with derivative instruments and we evaluate the creditworthiness of our derivative counterparties on an ongoing basis. As of December 31, 2022, the maximum amount of loss, based upon the gross fair values of the derivative instruments, we would incur if these counterparties failed to perform according to the terms of their contracts was $772 million. In general, many of our over-the-counter derivative instruments and all exchange contracts call for the posting of collateral by the counterparty or by the Company in the forms of letters of credit, parental guarantees or cash. At December 31, 2022, we had received cash collateral from derivative instrument counterparties totaling $108 million. In addition, we may have offsetting derivative liabilities and certain accounts payable balances with certain of these counterparties, which further mitigates the previously mentioned maximum amount of losses. Certain of the Partnership's derivative contracts have credit-risk-related contingent features that may require the posting of additional collateral in the event of a downgrade of the Partnership's debt rating. At December 31, 2022, if the credit-risk-related contingent features were triggered, the amount of collateral required to be posted would not be material.

The following table summarizes the fair values of unsettled market risk sensitive derivative instrument assets (liabilities) held at December 31, 2022 and changes in their fair values due to market risks. Certain of UGI Utilities' commodity derivative instruments are excluded from the table below because any associated net gains or losses are refundable to or recoverable from customers in accordance with UGI Utilities ratemaking.

	Asset (Liability)	
(Millions of dollars)	Fair Value	Change in Fair Value
December 31, 2022		
Commodity price risk (1)	$ 242	$ (214)
Interest rate risk (2)	$ 63	$ (9)
Foreign currency exchange rate risk (3)	$ 31	$ (43)

(1) Change in fair value represents a 10% adverse change in the market prices of certain commodities
(2) Change in fair value represents a 50 basis point adverse change in prevailing market interest rates
(3) Change in fair value represents a 10% adverse change in the value of the Euro and the British pound sterling versus the U.S. dollar.

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 Chief 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 Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures, as of the end of the period covered by this Report, were 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.

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The information set forth in Note 9, Commitments and Contingencies to our Condensed Consolidated Financial Statements included in Item 1 of Part I of this report, is incorporated herein by reference.

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 2022 Annual Report, which could materially affect our business, financial condition or future results. The risks described below and in our 2022 Annual Report are not the only risks facing the Company. Other unknown or unpredictable factors could also have material adverse effects on future results.

Our energy marketing business in Europe may continue to be dramatically disrupted by extreme prices and volatility in the natural gas and power markets in Europe, which have resulted in, and may continue to result in, a material negative impact on our financial results. Our natural gas and power marketing businesses have traditionally relied upon stable price and availability conditions. The European energy markets have entered in an unprecedented state of volatility. In addition to the pre-existing natural gas supply shortages, the war between Russia and Ukraine and the resulting substantial reduction of natural gas imports from Russia to Europe have led to significant volatility in the costs of both wholesale gas and power, and have created new risks that we have experienced and expect to continue to experience in Fiscal 2023 within our European energy marketing business. These risks include: (i) the ability to economically support the traditional fixed price and full requirement contracts of customers due to the significant increased cost to purchase incremental additional volumes consumed in excess of expectations; (ii) the ability to service typical portfolio needs with standard trading activities due to the limitations on purchasing cost effective services in the market; (iii) the ability to pass increased costs, including balancing costs, onto customers due, among other things, to timing, regulatory and contractual constraints, and (iv) the ability to maintain hedging services to customers due to the margining and liquidity constraints as well as maximum trading limits implemented by clearing banks on supplier counterparties. As a result, UGI is considering all scenarios with respect to the future of its energy marketing business in Europe, including exit and wind down. On October 25, 2022, UGI announced the sale of its energy marketing business in the United Kingdom and in November 2022, UGI announced its intent to sell its energy marketing business located in France, with a definitive agreement expected to be signed in the first quarter of Fiscal 2023, which did not occur. In December 2022, the Company announced that the negotiations with the potential buyer for the French energy marketing business had ceased and the exit of that business would be delayed. Further, in November 2022, the Company announced its intent to wind down its energy marketing businesses in Belgium and the Netherlands. The risks identified with respect to our energy marketing business in Europe have resulted in and may continue to have a material negative impact on our financial results.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following table sets forth information with respect to the Company's repurchases of its common stock during the quarter ended December 31, 2022.

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	(d) Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs (1)
October 1, 2022 to October 31, 2022	—	$0.00	—	7.10 million
November 1, 2022 to November 30, 2022	—	$0.00	—	7.10 million
December 1, 2022 to December 31, 2022	300,000	$38.85	300,000	6.80 million
Total	300,000		300,000	

(1) Shares of UGI Common Stock are repurchased through an extension of a previous share repurchase program announced by the Company on February 2, 2022. The UGI Board of Directors authorized the repurchase of up to 8 million shares of UGI Common Stock over a four-year period expiring in February 2026.

ITEM 6. EXHIBITS

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

		Incorporation by Reference		
Exhibit No.	Exhibit	Registrant	Filing	Exhibit
10.1	Form of Confidentiality, Non-Competition and Non-Solicitation Agreement between UGI Corporation and Mr. Robert F. Beard.			
10.2	First Amendment to Credit Agreement, dated December 13, 2022, by and among UGI Utilities, Inc., the lenders party thereto and PNC Bank, National Association, as administrative agent.	UGI	Form 8-K (12/13/22)	10.1
31.1	Certification by the Chief Executive Officer relating to the Registrant's Report on Form 10-Q for the quarter ended December 31, 2022, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.			
31.2	Certification by the Chief Financial Officer relating to the Registrant's Report on Form 10-Q for the quarter ended December 31, 2022, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.			
32	Certification by the Chief Executive Officer and the Chief Financial Officer relating to the Registrant's Report on Form 10-Q for the quarter ended December 31, 2022, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.			
101.INS	Inline XBRL Instance - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document			
101.SCH	Inline XBRL Taxonomy Extension Schema			
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase			
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase			
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase			
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase			
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)			

UGI CORPORATION AND SUBSIDIARIES

EXHIBIT INDEX

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UGI CORPORATION AND SUBSIDIARIES

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 Corporation (Registrant)
Date: February 2, 2023	By:	/s/ Ted J. Jastrzebski Ted J. Jastrzebski Chief Financial Officer
Date: February 2, 2023	By:	/s/ Jean Felix Tematio Dontsop Jean Felix Tematio Dontsop Vice President, Chief Accounting Officer and Corporate Controller

Exhibit 10.1

FORM OF
CONFIDENTIALITY, NON-COMPETITION AND NON-SOLICITATION AGREEMENT

THIS CONFIDENTIALITY, NON-SOLICITATION, AND NON-COMPETITION AGREEMENT (“Agreement”) is made as of _____ ___, 20___ by and between _____, an individual (“Employee”), and UGI Corporation (“UGI” or “the Company”).

WHEREAS, Employee has accepted a new role with the Company as _____; and

WHEREAS, Employee acknowledges that the business in which the Company is engaged is highly competitive, that the Company devotes a substantial amount of time and effort to the development and maintenance of Confidential Information (defined below) and that Confidential Information constitutes a valuable asset of the Company; and

WHEREAS, Employee will be provided with and will have access to Confidential Information during the course of Employee’s employment and will be responsible for global operations, as well as developing and maintaining relationships with the Company’s customers, prospective customers, employees and vendors; and

WHEREAS, Employee agrees that Employee’s receipt of the foregoing would give Employee an unfair competitive advantage if Employee’s activities during employment, and for a reasonable period thereafter, were not restricted as provided for in this Agreement; and

WHEREAS, Employee agrees that the Agreement is intended for the benefit of the Company and its parents, subsidiaries, and affiliates; and

WHEREAS, it would be detrimental to the Company for Employee to disclose Confidential Information or unfairly compete with the Company and unfairly solicit in a manner prohibited by this Agreement.

NOW, THEREFORE, in consideration of Employee’s offer of employment, and the mutual promises contained herein, and intending to be legally bound, Employee and the Company agree as follows:

1. Whereas Clauses.

The Whereas Clauses contained in the lettered paragraphs above are hereby incorporated and made a part of this Agreement.

2. Definitions.

a. The term “Confidential Information” as used herein shall mean an item of information, or a compilation of information, in any form (tangible or intangible) related to the Company’s, or its parents, subsidiaries’, and affiliates’, business or the business or personal affairs of the Company’s, or its parents, subsidiaries’, and affiliates’, customers, that the Company has not made public or of which it has not authorized public disclosure and that is not already generally known to the public or to other persons (individual(s) or entity(ies)) who might obtain value or competitive advantage from its disclosure or use. Confidential Information will not lose its protected status under this Agreement if it becomes known to others through improper means such as the unauthorized use or disclosure of the information by Employee or another person. Confidential Information includes, but is not limited to, information regarding

(1) actual or anticipated business; (2) products, sales and marketing plans; (3) technical data; (4) trade secrets; (5) past, present and prospective customer identities, lists, preferences, credit information and gas usage patterns; (6) pricing and marketing policies and practices; (7) financial and forecast information; (8) passwords, log-in information and other details relating to system access, databases and computer programs; (9) contractual and other dealings with customers, vendors and suppliers; (10) acquisition and strategic plans, including but not limited to global procurement strategy; (11) all operating policies and practices; and (12) any information Employee has reason to know that the Company treats, or its subsidiaries and affiliates treat as confidential for any purpose.

b. The term "Territory" refers to the 50 States of the United States and any other United States territories and foreign countries in which the Company, its parents, subsidiaries or affiliates, conduct business and in which Employee was responsible for performing services or about which Employee learned Confidential Information during the Look Back Period.

c. The term “Termination Date” means the last day that Employee performs services for the Company, regardless of the reason for Employee’s separation from the Company, whether voluntary or involuntary, and which party ends the employment relationship.

3. Confidential Information and Company Property.

a. Employee will protect the Confidential Information of the Company, its parents, subsidiaries, predecessors and affiliates, as well as Confidential Information of any other party to whom the Company owes an obligation of non-disclosure, from disclosure and will not divulge it during or after Employee’s employment to any other person or entity not associated with the Company, except as necessary to fulfill Employee’s obligations, duties and responsibilities associated with Employee’s work on behalf of the Company. To the extent that Employee is required to disclose Confidential Information in accordance with judicial proceedings or administrative orders, Employee shall give the Company reasonable notice prior to such disclosure and shall comply with any applicable protective order.

b. All reports, manuals, memoranda, electronic information and data and other materials made available to Employee by the Company during the performance of Employee’s duties are the property of the Company, and Employee will use all such property exclusively for the Company’s benefit and will return it, including copies, to the Company upon request of the Company, and in any event, without the requirement of a request, upon the termination of Employee’s employment. Employee shall take reasonable security precautions and measures to maintain and protect the confidentiality of Confidential Information, and shall follow all policies and procedures of the Company regarding the handling, use, access, distribution, maintenance, and disclosure of same.

c. Nothing in this Agreement prohibits Employee from reporting an event that Employee reasonably and in good faith believes is a violation of law to the relevant law-enforcement agency (such as the Securities and Exchange Commission, Equal Employment Opportunity Commission, or Department of Labor), or from cooperating in an investigation conducted by such a government agency. This may include disclosure of trade secret or Confidential Information within the limitations permitted by the 2016 Defend Trade Secrets Act (DTSA). Employee is hereby provided notice that under the DTSA, (1) no individual will be held criminally or civilly liable under Federal or State trade secret law for the disclosure of a trade secret (as defined in the Economic Espionage Act) that: (A) is made **in confidence to** a Federal, State, or local government official, either directly or indirectly, or to an attorney; and made **solely for the purpose of** reporting or investigating a suspected violation of law; or, (B) is made in a complaint or other document filed in a lawsuit or other proceeding, **if such filing is made under seal** so that it is not made public; and, (2) an individual who pursues a lawsuit for retaliation by an employer for reporting a suspected violation of the law may disclose the trade secret to the attorney of the individual and use the trade secret information in the court proceeding, if the individual files any document containing the trade secret under seal, and does not disclose the trade secret, except as permitted by court order.

4. Intellectual Property Ownership

a. Employee recognizes, acknowledges and agrees that as part of Employee's employment with the Company, Employee is expected to make new contributions of value to the Company. Employee agrees to promptly and fully disclose to the Company in writing any and all inventions, ideas, discoveries, information (including Confidential Information), trade secrets, works of authorship, documents, records, proposals, writings, drawings, curricula, plans, schematics, computer programs and modules (both source and object codes, display screens and layouts, intranet files and data, server-side website documents and files, functions, subroutines, procedures, variable definitions, libraries and linking scripts), projects, know-how, processes, formulas, designs, research data, clinical data, techniques, modifications, developments, improvements or revisions (collectively, "Inventions"), whether or not patentable or registrable under copyright, trademark or similar statutes subject to analogous protection, which Employee may in whole or any part make, devise, conceive, create, design, invent, develop, reduce to practice or discover, either solely or jointly with another or others (whether or not Company personnel), during Employee's employment by the Company (whether at the request or upon the suggestion of the Company or otherwise, and whether during or outside of normal working hours), which (a) result from or relate to tasks assigned to Employee by the Company, (b) relate to the business of the Company or any of the products, services or technology sold, marketed or being developed by the Company, or (c) result from the use of premises or personal property (whether tangible or intangible) owned, leased or contracted for by the Company. All of the foregoing will belong exclusively to the Company and the Company will be deemed the author or creator thereof.

b. Employee will assign to the Company, and hereby does so assign, Employee's rights, title and interest (including, but not limited to, any patents, copyrights and trademarks) in and to the Inventions and benefits and/or rights resulting therefrom to the Company and its assigns without further compensation and will communicate, without disclosing to others, all available information relating to the Inventions (with all necessary code, explanatory information, plans and models) to the Company.

c. Upon the request of the Company, whether made during or after the period of Employee's employment with the Company, Employee will, without further compensation, promptly sign, execute, make and do all such deeds, documents, acts and things as the Company and its duly authorized agents may reasonably require: (a) to apply for, obtain, register and vest in the name of the Company alone (unless the Company otherwise directs) letters patent, copyrights, trademarks or other analogous protection in any country throughout the world and when so obtained or vested to renew and restore the same; and (b) to defend any judicial, opposition or other proceedings in respect of such applications and any judicial, opposition or other proceedings or petitions or applications for revocation of such letters patents, copyright, trademark or other analogous protection. Employee further agrees that the Company is authorized to take such actions (including but not limited to making filings) in the Company and/or Employee's name which the Company, in its sole discretion, deems necessary or desirable to accomplish the foregoing.

To preclude any possible uncertainty with regard to ownership of any developments or intellectual property, Employee represents that Employee has provided to the Company a list of developments that Employee has, alone or jointly with others, conceived, developed or reduced to practice prior to the commencement of Employee's employment with the Company that Employee considers to be Employee's property or the property of third parties and that Employee wishes to have excluded from the scope of this Agreement ("Prior Developments"). If disclosure of any such Prior Developments would cause Employee to violate any prior confidentiality agreement, Employee understands that Employee should not list such Prior Developments but only should disclose a cursory name for each such invention, a listing of the party(ies) to whom it belongs and the fact that full disclosure as to such inventions has not been made for that reason. If Employee has not provided any such list, Employee represents that there are no Prior Developments.

5. Non-competition and Non-solicitation.

In order to protect, among other things, the Company's interests and investment in Confidential Information, its relationships with its customers, vendors, contractors, and employees, and its goodwill, and as a material inducement to the Company to provide Employee with the consideration for this Agreement set forth above, Employee covenants and agrees that:

a. Employee will not during the term of Employee's employment with the Company and for the two (2) year period following the Termination Date, directly or through others, participate in soliciting or communicating with a Customer of the Company or, for the benefit of a Competitor, request, induce, or advise any Customer of the Company to withdraw, curtail, modify or cancel their business with the Company. For purposes of this Agreement, "Customer of the Company" means any Company customer with whom Employee had business-related contact or about which Employee received Confidential Information during the Look Back Period and any prospective customers of the Company which Employee solicited for the Company or received Confidential Information about during the Look Back Period; and "Competitor" means any business that provides a product or service that competes with the products or services of the Company, its parents, subsidiaries, or affiliates, that Employee was involved in or learned Confidential Information about during the Look Back Period.

Nothing in this Paragraph 5(a) shall prohibit Employee from passively investing in a publicly held business that competes with the Company provided Employee's investment is less than 1% of the outstanding stock or market value of the business and Employee does not otherwise violate this Agreement.

b. Employee will not during the term of Employee's employment with the Company and for a period of two (2) years following the Termination Date, directly or through others (i) for the benefit of a Competitor's operations or sales within the Territory, act individually or as an owner, operator, shareholder, principal, director, officer, consultant, partner, employee, contractor, agent, or otherwise (other than on behalf of the Company) provide services that are the same or similar in function or purpose to the services Employee provided to the Company during the last two (2) years of employment or such shorter period of time as Employee has been employed ("Look Back Period") or (ii) provide such services that are otherwise likely or probable to result in the use or disclosure of Confidential Information or the conversion of Customers of the Company to the benefit of a Competitor and the detriment of the Company.

c. Employee will not during the term of Employee's employment with the Company and for the two (2) year period following the Termination Date, directly or through others, participate in soliciting or communicating with any Company employee, consultant, or independent contractor for the purpose of persuading the employee, consultant, or independent contractor to end or modify the employee's or independent contractor's relationship with the Company.

6. Tolling.

In the event Employee breaches any or all subparagraphs of Paragraph 5 of this Agreement and the Company seeks injunctive relief to enforce those provisions, the time period for Employee's obligations will be extended by one day for each day Employee's violation thereof, up to a maximum of two (2) years, or to the extent permitted by law.

7. Computer Fraud and Abuse Act (CFAA).

Employee is only authorized to access the Company's computers that are within the course and scope of Employee's duties for the Company, and may only do so while in the active employment of the Company. All such authorization ends immediately upon the termination of employment. Employee is not authorized to access and use the Company's computers, email, or related computer systems to compete or to prepare to compete, or to otherwise compromise the Company's legitimate business interests, and unauthorized access to or use of the Company's computers in violation of the foregoing may subject Employee to civil and/or criminal liability.

8. Remedies.

Employee acknowledges that the Company's remedies at law for any breach of the provisions contained herein would be inadequate and, in recognition of this fact, in the event of such a breach, in addition to any remedies at law the Company would be entitled to obtain, Employee consents to the issuance of equitable relief in the form of specific performance, temporary or permanent injunctive relief or any other equitable remedy which might be available. Employee agrees to pay any and all reasonable attorneys' fees the Company incurs in successfully enforcing this Agreement, however, if Employee resides in and is subject to the law of a state that would convert this recovery of attorney's fees provision to a reciprocal obligation or an obligation where the prevailing party would recover fees and costs, then such recovery of attorneys' fees and costs provision shall not apply and each party will bear its own attorneys' fees and costs. Nothing in this Agreement shall be construed to reduce or limit any common law or statutory duty Employee would otherwise owe to the Company absent this Agreement, including, but not limited to, the protection of trade secrets and Employee's duty of loyalty; nor shall this Agreement limit or eliminate any remedies available to the Company for a violation of such duties.

9. Entire Agreement.

This Agreement constitutes the entire agreement of the parties with respect to the subject matter hereof and supersedes any previous communications, representations, arrangements or agreements, whether written or oral.

10. At-Will Statement.

Nothing in this Agreement shall be construed to create a term or tenure of employment or to alter or create limitations on either party's right to terminate the employment relationship between the Company and Employee at either party's discretion. Any modifications of the at-will nature of the employment relationship between the parties, if any, must be contained in a separate written agreement executed by the _____ or the _____ of UGI Corporation.

11. Assignment.

This Agreement shall be binding and inure to the benefit of the Company, its successors and assigns, and to the benefit of Employee. The Company may assign this Agreement to any party, without Employee's consent. Employee may not assign this Agreement.

12. Amendment.

This Agreement may only be amended by a written agreement signed by Employee and the _____ or the _____ of UGI Corporation.

13. Choice of Law and Venue.

The Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania. The parties agree that all actions or proceedings that arise out of, are associated with, require the interpretation of, or that are in any way directly or indirectly related to the subject matter covered in this Agreement or to any matter related to Employee's employment with the Company, shall be tried and litigated exclusively in the Court of Common Pleas for Montgomery County, Pennsylvania or the United States District Court for the Eastern District of Pennsylvania. This choice of venue is intended by the parties to be mandatory and not permissive in nature. Therefore, the parties hereby waive any right to assert lack of personal jurisdiction or the doctrine of forum non conveniens or a similar doctrine or to object to venue or jurisdiction with respect to any action or proceeding brought in accordance with this Paragraph. THE PARTIES IRREVOCABLY CONSENT AND AGREE THAT THE COURT OF COMMON PLEAS FOR MONTGOMERY COUNTY, PENNSYLVANIA AND THE UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF PENNSYLVANIA HAVE PERSONAL JURISDICTION OVER EMPLOYEE AND THE COMPANY FOR PURPOSES OF LITIGATING ANY DISPUTE, CONTROVERSY, OR PROCEEDING CONCERNING THE MATTERS DESCRIBED ABOVE.

14. Severability.

If any provision, paragraph or subparagraph of this Agreement is found by any court to be void or unenforceable in whole or in part, this determination shall not affect the validity of the remainder of the Agreement, including any other provision, paragraph or subparagraph. Each provision, paragraph, and subparagraph of this Agreement is separable from every other provision, paragraph and subparagraph and constitutes a separate and distinct covenant. The parties agree, however, that should a court construing this Agreement determine that any provision of the Agreement is overbroad or unenforceable, the court shall reform any overbroad or unenforceable provision in a manner that provides the Company with the greatest level of protection permissible by applicable law.

15. Additional Provisions.

a. Employee agrees to disclose the existence of this Agreement to any business, entity, person, firm, association, or corporation that Employee intends to be employed by, associate with, or provide consulting services for in order to insure compliance with this Agreement. Employee hereby authorizes the Company to disclose the existence of this Agreement and to provide a copy of this Agreement to any of Employee's prospective or actual employers or any business, entity, person, firm, association, or corporation that Employee intends to associate with or to provide consulting services.

b. In the event Employee leaves the employ of the Company, Employee agrees to notify the Company of the identity, address and phone number of Employee's next employer or affiliated business or entity with which Employee intends to associate with or to provide consulting services, as the case may be, and the scope and nature of activities involved in

Employee's new role. The required notification shall be sent to the _____ and the _____ for the Company. Employee hereby consents to the notification of Employee's new employer or affiliated business or entity, as the case may be, of Employee's rights and obligations under this Agreement and will not assert that the Company's doing so constitutes actionable interference or wrongdoing.

c. Employee acknowledges that Employee has read and understands this Agreement, believes it to be reasonable, and is signing it voluntarily. Employee acknowledges that Employee's obligations under this Agreement will not impose an unreasonable economic hardship on Employee and are reasonable and necessary to protect the Company's legitimate business interests.

d. Employee acknowledges that Employee is not bound by any agreement or understanding with any third party that would inhibit Employee in any way from working for the Company. To the extent that Employee has any confidentiality obligations or other restrictions under any applicable agreements with third parties, Employee agrees not to violate the terms of any such agreements or use any such confidential information of third parties in Employee's employment with the Company.

e. The Parties recognize and acknowledge that Employee, over the course of Employee's employment with the Company, may be provided with a new job title or otherwise hold a position with the UGI Family of Companies (through promotion or otherwise) involving Employee's provision of different services than those for which the Company initially hired Employee or which Employee is currently performing. Employee agrees that this Agreement shall be – and is intended to – govern any such future role with the UGI Family of Companies and, therefore, Employee expressly waives any claim that this Agreement is unenforceable due to such change.

Dated this __ day of _____, 20___

____

EXHIBIT 31.1

CERTIFICATION

I, Roger Perreault, certify that:

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

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this 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: February 2, 2023

/s/ Roger Perreault

Roger Perreault
President and Chief Executive Officer of
UGI Corporation

EXHIBIT 31.2

CERTIFICATION

I, Ted J. Jastrzebski, certify that:

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

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this 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: February 2, 2023

/s/ Ted J. Jastrzebski

Ted J. Jastrzebski
Chief Financial Officer of UGI Corporation

EXHIBIT 32

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

I, Roger Perreault, Chief Executive Officer, and I, Ted J. Jastrzebski, Chief Financial Officer, of UGI Corporation, a Pennsylvania corporation (the "Company"), hereby certify that to our knowledge:

(1) The Company's periodic report on Form 10-Q for the period ended December 31, 2022 (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	CHIEF FINANCIAL OFFICER
/s/ Roger Perreault	/s/ Ted J. Jastrzebski
Roger Perreault	Ted J. Jastrzebski
Date: February 2, 2023	Date: February 2, 2023