UGI CORP /PA/
Form 10-Q
February 03, 2012
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended December 31, 2011

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

UGI CORPORATION

460 North Gulph Road, King of Prussia, PA **(Address of principal executive offices)**	**19406** **(Zip Code)**

(610) 337-7000

(Registrant s telephone number, including area code)

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

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

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

Large accelerated filer x	Accelerated filer ¨
Non-accelerated filer ¨	Smaller reporting company ¨

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

At January 31, 2012, there were 112,126,376 shares of UGI Corporation Common Stock, without par value, outstanding.

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UGI CORPORATION AND SUBSIDIARIES

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UGI CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(unaudited)

(Millions of dollars)

	September 30, December 31, 2011	September 30, September 30, 2011	September 30, December 31, 2010
ASSETS			
Current assets:			
Cash and cash equivalents	$ 229.0	$ 238.5	$ 139.4
Restricted cash	22.3	17.2	19.4
Accounts receivable (less allowances for doubtful accounts of $38.4, $36.8 and $37.5, respectively)	842.9	546.7	906.9
Accrued utility revenues	53.8	14.8	75.3
Inventories	390.7	363.0	387.3
Deferred income taxes	66.5	44.9	41.1
Utility regulatory assets	8.1	8.6	10.6
Derivative financial instruments	13.4	10.2	23.1
Prepaid expenses and other current assets	41.3	62.2	32.0
Total current assets	1,668.0	1,306.1	1,635.1
Property, plant and equipment, at cost (less accumulated depreciation and amortization of $2,113.8, $2,080.0 and $1,966.0, respectively)	3,273.8	3,204.5	3,096.8
Goodwill	1,624.7	1,562.2	1,564.7
Intangible assets, net	159.7	147.8	150.1
Other assets	427.7	442.7	361.1
Total assets	$ 7,153.9	$ 6,663.3	$ 6,807.8
LIABILITIES AND EQUITY			
Current liabilities:			
Current maturities of long-term debt	$ 46.8	$ 47.4	$ 548.3
Bank loans	421.9	138.7	273.6
Accounts payable	507.4	399.6	668.3
Derivative financial instruments	77.1	49.7	27.7
Other current liabilities	511.6	442.5	506.2
Total current liabilities	1,564.8	1,077.9	2,024.1
Long-term debt	2,115.7	2,110.3	1,448.4
Deferred income taxes	693.6	709.2	601.7
Deferred investment tax credits	4.9	5.0	5.2
Other noncurrent liabilities	575.2	569.8	518.6
Total liabilities	4,954.2	4,472.2	4,598.0
Commitments and contingencies (note 10)			

Equity:						
UGI Corporation stockholders equity:						
UGI Common Stock, without par value (authorized 300,000,000 shares; issued - 115,507,094, 115,507,094 and 115,434,694 shares, respectively)		939.1		937.4		916.3
Retained earnings		1,143.6		1,085.8		1,052.0
Accumulated other comprehensive (loss) income		(61.8)		(17.7)		14.8
Treasury stock, at cost		(26.7)		(27.8)		(34.3)
Total UGI Corporation stockholders equity		1,994.2		1,977.7		1,948.8
Noncontrolling interests, principally in AmeriGas Partners		205.5		213.4		261.0
Total equity		2,199.7		2,191.1		2,209.8
Total liabilities and equity	$	7,153.9	$	6,663.3	$	6,807.8

See accompanying notes to condensed consolidated financial statements.

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UGI CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(unaudited)

(Millions of dollars, except per share amounts)

	September 30,	September 30,
	Three Months Ended December 31,	
	2011	2010
Revenues	$ 1,688.8	$ 1,765.6
Costs and expenses:		
Cost of sales	1,101.8	1,162.6
Operating and administrative expenses	342.4	312.1
Utility taxes other than income taxes	4.1	4.4
Depreciation	52.8	49.2
Amortization	7.5	6.1
Other income, net	(8.1)	(21.1)
	1,500.5	1,513.3
Operating income	188.3	252.3
Loss from equity investees	(0.1)	(0.2)
Interest expense	(36.0)	(33.3)
Income before income taxes	152.2	218.8
Income taxes	(42.1)	(63.8)
Net income	110.1	155.0
Less: net income attributable to noncontrolling interests, principally in AmeriGas Partners	(23.1)	(41.9)
Net income attributable to UGI Corporation	$ 87.0	$ 113.1
Earnings per common share attributable to UGI stockholders:		
Basic	$ 0.78	$ 1.02
Diluted	$ 0.77	$ 1.01
Average common shares outstanding (thousands):		
Basic	112,240	110,894
Diluted	113,152	112,416
Dividends declared per common share	$ 0.26	$ 0.25

See accompanying notes to condensed consolidated financial statements.

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UGI CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited)

(Millions of dollars)

	September 30, Three Months Ended December 31, 2011	September 30, 2010
Net income	$ 110.1	$ 155.0
Net (losses) gains on derivative instruments (net of tax of $23.1 and ($11.8), respectively)	(41.3)	25.9
Reclassifications of net losses on derivative instruments (net of tax of ($8.0) and ($10.9), respectively)	12.5	13.7
Foreign currency adjustments (net of tax of $6.5 and $3.3, respectively)	(22.2)	(12.1)
Benefit plans (net of tax of $(0.1) and ($1.5), respectively)	0.1	2.2
Comprehensive income	59.2	184.7
Less: comprehensive income attributable to noncontrolling interests, principally in AmeriGas Partners	(16.3)	(46.7)
Comprehensive income attributable to UGI Corporation	$ 42.9	$ 138.0

See accompanying notes to condensed consolidated financial statements.

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UGI CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

(Millions of dollars)

	September 30,	September 30,
	Three Months Ended December 31,	
	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 110.1	$ 155.0
Reconcile to net cash from operating activities:		
Depreciation and amortization	60.3	55.3
Deferred income taxes, net	(16.9)	(20.7)
Provision for uncollectible accounts	5.9	7.2
Net change in realized gains and losses deferred as cash flow hedges	(14.1)	5.4
Other, net	8.1	1.1
Net change in:		
Accounts receivable and accrued utility revenues	(283.7)	(485.8)
Inventories	(25.3)	(66.9)
Utility deferred fuel costs	1.6	15.5
Accounts payable	63.7	280.3
Other current assets	23.3	6.9
Other current liabilities	44.6	10.7
Net cash used by operating activities	(22.4)	(36.0)
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditures for property, plant and equipment	(87.4)	(85.6)
Acquisitions of businesses, net of cash acquired	(152.8)	(37.8)
(Increase) decrease in restricted cash	(5.1)	15.4
Other	1.9	3.9
Net cash used by investing activities	(243.4)	(104.1)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends on UGI Common Stock	(29.2)	(27.8)
Distributions on AmeriGas Partners publicly held Common Units	(24.0)	(22.8)
Issuances of debt	25.6	
Repayments of debt	(3.1)	(3.0)
Increase in bank loans	265.0	74.9
Receivables Facility net borrowings (repayments)	18.9	(12.1)
Issuances of UGI Common Stock	3.1	11.6
Other	0.4	1.4
Net cash provided by financing activities	256.7	22.2
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(0.4)	(3.4)
Cash and cash equivalents decrease	$ (9.5)	$ (121.3)

Cash and cash equivalents:				
End of period	$	229.0	$	139.4
Beginning of period		238.5		260.7
Decrease	$	(9.5)	$	(121.3)

See accompanying notes to condensed consolidated financial statements.

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UGI CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(unaudited)

(Millions of dollars and euros, except per share amounts)

1. Nature of Operations

UGI Corporation (UGI) is a holding company that, through subsidiaries and affiliates, distributes and markets energy products and related services. In the United States, we own and operate (1) a retail propane marketing and distribution business; (2) natural gas and electric distribution utilities; (3) electricity generation facilities; and (4) an energy marketing, midstream infrastructure, storage and energy services business. Internationally, we market and distribute propane and other liquefied petroleum gases (LPG) in Europe and China. We refer to UGI and its consolidated subsidiaries collectively as the Company or we.

We conduct a domestic propane marketing and distribution business through AmeriGas Partners, L.P. (AmeriGas Partners), a publicly traded limited partnership, and its principal operating subsidiary AmeriGas Propane, L.P. (AmeriGas OLP or the Operating Partnership). AmeriGas Partners and AmeriGas OLP are Delaware limited partnerships. UGI s wholly owned second-tier subsidiary, AmeriGas Propane, Inc. (the General Partner), serves as the general partner of AmeriGas Partners and AmeriGas OLP. We refer to AmeriGas Partners and its subsidiaries together as the Partnership and the General Partner and its subsidiaries, including the Partnership, as AmeriGas Propane. At December 31, 2011, the General Partner held a 1% general partner interest and 42.8% limited partner interest in AmeriGas Partners and an effective 44.4% ownership interest in AmeriGas OLP. Our limited partnership interest in AmeriGas Partners comprises 24,691,209 AmeriGas Partners Common Units (Common Units). The remaining 56.2% interest in AmeriGas Partners comprises 32,436,587 Common Units held by the general public as limited partner interests (see Note 15).

Our wholly owned subsidiary, UGI Enterprises, Inc. (Enterprises), through subsidiaries (1) conducts LPG distribution businesses in France and, subsequent to the Shell Acquisition described below, in Belgium, the Netherlands and Luxembourg (collectively Antargaz); (2) conducts LPG distribution businesses in 11 central and eastern European countries including, subsequent to the Shell Acquisition, in Norway, Sweden and Finland (collectively referred to as Flaga); (3) subsequent to the Shell Acquisition conducts an LPG distribution business in the United Kingdom; and (4) conducts an LPG distribution business in the Nantong region of China. On October 14, 2011, UGI, through subsidiaries, acquired Shell s LPG distribution businesses in the United Kingdom, Belgium, the Netherlands, Luxembourg, Denmark, Finland, Norway and Sweden for approximately 130 in cash subject to working capital adjustments (the Shell Acquisition). We refer to our foreign LPG operations collectively as International Propane. Enterprises, through UGI Energy Services, Inc. (Energy Services) and its subsidiaries, conducts an energy marketing, midstream infrastructure, storage and energy services business primarily in the Mid-Atlantic region of the United States. In addition, Energy Services wholly owned subsidiary, UGI Development Company (UGID), owns all or a portion of electric generation facilities located in Pennsylvania. The businesses of Energy Services and its subsidiaries, including UGID, are referred to herein collectively as Midstream & Marketing. Enterprises also conducts heating, ventilation, air-conditioning, refrigeration and electrical contracting businesses in the Mid-Atlantic region through first-tier subsidiaries.

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Our natural gas and electric distribution utility businesses are conducted through our wholly owned subsidiary UGI Utilities, Inc. (UGI Utilities) and its subsidiaries UGI Penn Natural Gas, Inc. (PNG) and UGI Central Penn Gas, Inc. (CPG). UGI Utilities, PNG and CPG own and operate natural gas distribution utilities in eastern, northeastern and central Pennsylvania and in a portion of one Maryland county. UGI Utilities also owns and operates an electric distribution utility in northeastern Pennsylvania (Electric Utility). UGI Utilities natural gas distribution utility is referred to as UGI Gas; PNG s natural gas distribution utility is referred to as PNG Gas; and CPG s natural gas distribution utility is referred to as CPG Gas. UGI Gas, PNG Gas and CPG Gas are collectively referred to as Gas Utility. Gas Utility is subject to regulation by the Pennsylvania Public Utility Commission (PUC) and, with respect to a small service territory in one Maryland county, the Maryland Public Service Commission, and Electric Utility is subject to regulation by the PUC. Gas Utility and Electric Utility are collectively referred to as Utilities.

2. Significant Accounting Policies

Our condensed consolidated financial statements include the accounts of UGI and its controlled subsidiary companies which, except for the Partnership, are majority owned. We eliminate all significant intercompany accounts and transactions when we consolidate. We report the public s limited partner interests in the Partnership and the outside ownership interests in certain subsidiaries of Antargaz and Flaga as noncontrolling interests. Entities in which we own 50 percent or less and in which we exercise significant influence over operating and financial policies are accounted for by the equity method.

The accompanying condensed consolidated financial statements are unaudited and have been prepared in accordance with the rules and regulations of the U.S. Securities and Exchange Commission (SEC). They include all adjustments which 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, 2011 condensed consolidated balance sheet data were derived from audited financial statements but do not include all disclosures required by accounting principles generally accepted in the United States of America (GAAP). These financial statements should be read in conjunction with the financial statements and related notes included in our Annual Report on Form 10-K for the year ended September 30, 2011 (Company s 2011 Annual Financial Statements and Notes). 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 represents those cash balances in our commodity futures and option brokerage accounts which are restricted from withdrawal.

Earnings Per Common Share. Basic earnings per share attributable to UGI Corporation shareholders reflect the weighted-average number of common shares outstanding. Diluted earnings per share attributable to UGI Corporation include the effects of dilutive stock options and common stock awards.

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(Millions of dollars and euros, except per share amounts)

Shares used in computing basic and diluted earnings per share are as follows:

	September 30, Three Months Ended December 31, 2011	September 30, 2010
Denominator (thousands of shares):		
Average common shares outstanding for basic computation	112,240	110,894
Incremental shares issuable for stock options and awards	912	1,522
Average common shares outstanding for diluted computation	113,152	112,416

Comprehensive Income. Comprehensive income comprises net income and other comprehensive income (loss). Other comprehensive income (loss) principally comprises (1) gains and losses on derivative instruments qualifying as cash flow hedges, net of reclassifications to net income; (2) actuarial gains and losses on postretirement benefit plans, net of associated amortization; and (3) foreign currency translation and intracompany transaction adjustments.

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

Income Taxes. During the three months ended December 31, 2011, the Company changed the U.S. tax status of a foreign entity. As a result of the change in tax status, we now believe it is more likely than not that a portion of our foreign tax credits will be utilized and, accordingly, adjusted our foreign tax credit valuation allowance which reduced income tax expense by $5.5 for the three months ended December 31, 2011.

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.

3. Accounting Changes

Adoption of New Accounting Standard

Goodwill Impairment. In September 2011, the Financial Accounting Standards Board (FASB) issued guidance on testing goodwill for impairment. The new guidance permits entities to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test in GAAP. The more-likely-than-not threshold is deemed as having a likelihood of more than 50 percent. Previous guidance required an

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entity to test goodwill for impairment at least annually by comparing the fair value of a reporting unit with its carrying amount, including goodwill. If the fair value of a reporting unit is less than the carrying amount, then the second step of the test must be performed to measure the amount of the impairment loss, if any. Under the new guidance, an entity is not required to calculate fair value of a reporting unit unless the entity determines that it is more likely than not that its fair value is less than its carrying amount. The new guidance does not change how goodwill is calculated or assigned to reporting units, nor does it revise the requirements to test goodwill annually for impairment. The new guidance is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011 with early adoption permitted. We adopted the new guidance for Fiscal 2012.

New Accounting Standard Not Yet Adopted

Fair Value Measurements. In May 2011, the FASB issued ASU 2011-04, Amendments to Achieve Common Fair Value Measurements and Disclosure Requirements in U.S. GAAP and IFRS. The amendments in ASU 2011-04 result in common fair value measurement and disclosure requirements in GAAP and International Financial Reporting Standards (IFRS). The new guidance applies to all reporting entities that are required or permitted to measure or disclose the fair value of an asset, liability or an instrument classified in shareholders equity. Among other things, the new guidance requires quantitative information about unobservable inputs, valuation processes and sensitivity analysis associated with fair value measurements categorized within Level 3 of the fair value hierarchy. The new guidance is effective for our interim period ending March 31, 2012 and is required to be applied prospectively. We do not expect it will have a material impact on our results of operations or financial condition.

4. Goodwill and Intangible Assets

The Company s intangible assets comprise the following:

	September 30, December 31, 2011	September 30, September 30, 2011	September 30, December 31, 2010
Goodwill (not subject to amortization)	$ 1,624.7	$ 1,562.2	$ 1,564.7
Other intangible assets:			
Customer relationships, noncompete agreements and other	$ 248.8	$ 232.1	$ 219.8
Trademarks (not subject to amortization)	46.4	47.9	45.4
Gross carrying amount	295.2	280.0	265.2
Accumulated amortization	(135.5)	(132.2)	(115.1)
Net carrying amount	$ 159.7	$ 147.8	$ 150.1

The increases in goodwill and other intangible assets during the three months ended December 31, 2011 principally reflect the effects of acquisitions. Amortization expense of intangible assets was $5.8 and $5.5 for the three months ended December 31, 2011 and 2010, respectively. No amortization is included in cost of sales in the Condensed

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(unaudited)

(Millions of dollars and euros, except per share amounts)

Consolidated Statements of Income. As of December 31, 2011 and excluding the impact of the Heritage Acquisition (see Note 15), our expected aggregate amortization expense of intangible assets for the remainder of Fiscal 2012 and the next four fiscal years is as follows: remainder of Fiscal 2012 $16.8; Fiscal 2013 $22.0; Fiscal 2014 $21.0; Fiscal 2015 $19.0; Fiscal 2016 $17.1.

5. Segment Information

We have organized our business units into six reportable segments generally based upon products sold, geographic location (domestic or international) or regulatory environment. Our reportable segments are: (1) AmeriGas Propane; (2) an international LPG segment comprising Antargaz; (3) an international LPG segment comprising Flaga, our propane distribution business in the United Kingdom and our propane distribution business in China (Flaga & Other); (4) Gas Utility; (5) Electric Utility; and (6) Midstream & Marketing. We refer to both international segments collectively as International Propane.

The accounting policies of our reportable segments are the same as those described in Note 2, Significant Accounting Policies in the Company s 2011 Annual Financial Statements and Notes. We evaluate AmeriGas Propane s performance principally based upon the Partnership s earnings before interest expense, income taxes, depreciation and amortization (Partnership EBITDA). Although we use Partnership EBITDA to evaluate AmeriGas Propane s profitability, it should not be considered as an alternative to net income (as an indicator of operating performance) or as an alternative to cash flow (as a measure of liquidity or ability to service debt obligations) and is not a measure of performance or financial condition under GAAP. Our definition of Partnership EBITDA may be different from that used by other companies. We evaluate the performance of our International Propane, Gas Utility, Electric Utility and Midstream & Marketing segments principally based upon their income before income taxes.

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(unaudited)

(Millions of dollars and euros, except per share amounts)

5. Segment Information (continued)

Three Months Ended December 31, 2011:

			Reportable Segments				International Propane		
	Total	Elims.	AmeriGas Propane	Gas Utility	Electric Utility	Midstream & Marketing	Antargaz	Flaga & Other (b)	Corporate & Other (c)
Revenues	$ 1,688.8	$ (53.3) (d)	$ 683.8	$ 255.0	$ 25.2	$ 238.8	$ 301.6	$ 216.7	$ 21.0
Cost of sales	$ 1,101.8	$ (52.3) (d)	$ 443.8	$ 141.7	$ 15.2	$ 198.8	$ 175.7	$ 168.1	$ 10.8
Segment profit:									
Operating income (loss)	$ 188.3	$	$ 60.1	$ 61.2	$ 3.2	$ 23.9	$ 37.3	$ 4.4	$ (1.8)
Loss from equity investees	(0.1)						(0.1)		
Interest expense	(36.0)		(16.5)	(10.1)	(0.5)	(1.1)	(6.5)	(1.0)	(0.3)
Income (loss) before income taxes	$ 152.2	$	$ 43.6	$ 51.1	$ 2.7	$ 22.8	$ 30.7	$ 3.4	$ (2.1)
Partnership EBITDA (a)			$ 83.7						
Noncontrolling interests net income	$ 23.1	$	$ 23.0	$	$	$	$ 0.1	$	$
Depreciation and amortization	$ 60.3	$	$ 24.2	$ 12.1	$ 0.9	$ 2.8	$ 14.1	$ 5.5	$ 0.7
Capital expenditures	$ 88.7	$	$ 21.6	$ 21.8	$ 1.0	$ 28.1	$ 11.1	$ 4.8	$ 0.3
Total assets (at period end)	$ 7,153.9	$ (85.4)	$ 1,975.7	$ 2,088.7	$ 149.7	$ 658.3	$ 1,693.7	$ 528.9	$ 144.3
Bank loans (at period end)	$ 421.9	$	$ 226.0	$ 57.7	$	$ 118.2	$	$ 20.0	$
Goodwill (at period end)	$ 1,624.7	$	$ 696.6	$ 182.1	$	$ 2.8	$ 641.9	$ 94.3	$ 7.0

Three Months Ended December 31, 2010:

			Reportable Segments				International Propane		
	Total	Elims.	AmeriGas Propane	Gas Utility	Electric Utility	Midstream & Marketing	Antargaz	Flaga & Other (b)	Corporate & Other (c)
Revenues	$ 1,765.6	$ (40.1) (d)	$ 700.2	$ 321.1	$ 28.9	$ 279.6	$ 336.0	$ 118.9	$ 21.0
Cost of sales	$ 1,162.6	$ (39.3) (d)	$ 435.3	$ 194.9	$ 18.6	$ 240.1	$ 214.6	$ 87.1	$ 11.3
Segment profit:									
Operating income	$ 252.3	$ 0.1	$ 91.6	$ 75.1	$ 3.6	$ 27.5	$ 51.9	$ 2.1	$ 0.4
Loss from equity investees	(0.2)						(0.2)		
Interest expense	(33.3)		(15.4)	(10.1)	(0.5)	(0.7)	(5.5)	(0.9)	(0.2)
Income before income taxes	$ 218.8	$ 0.1	$ 76.2	$ 65.0	$ 3.1	$ 26.8	$ 46.2	$ 1.2	$ 0.2
Partnership EBITDA (a)			$ 113.3						

Noncontrolling interests net income	$ 41.9	$	$ 41.5	$	$	$	$ 0.4	$	$
Depreciation and amortization	$ 55.3	$	$ 22.7	$ 12.2	$ 1.0	$ 1.7	$ 12.3	$ 4.9	$ 0.5
Capital expenditures	$ 85.6	$	$ 21.3	$ 16.1	$ 1.5	$ 34.6	$ 9.4	$ 2.5	$ 0.2
Total assets (at period end)	$ 6,807.8	$ (89.7)	$ 1,904.5	$ 2,061.3	$ 141.0	$ 548.5	$ 1,690.9	$ 395.2	$ 156.1
Bank loans (at period end)	$ 273.6	$	$ 178.0	$ 74.0	$	$	$	$ 21.6	$
Investments in equity investees (at period end)	$ 0.3	$	$	$	$	$	$	$ 0.3	$
Goodwill (at period end)	$ 1,564.7	$	$ 690.1	$ 180.1	$	$ 2.8	$ 591.0	$ 93.7	$ 7.0

(a) The following table provides a reconciliation of Partnership EBITDA to AmeriGas Propane operating income:

Three Months Ended December 31,	**September 30, 2011**	**September 30, 2010**
Partnership EBITDA	$ 83.7	$ 113.3
Depreciation and amortization	(24.2)	(22.7)
Noncontrolling interests (i)	0.6	1.0
Operating income	$ 60.1	$ 91.6

(i) Principally represents the General Partner's 1.01% interest in AmeriGas OLP.

(b) International Propane Flaga & Other principally comprises FLAGA's retail distrbution businesses, our propane distribution business in China and our propane distribution business in the United Kingdom.

(c) Corporate & Other results principally comprise UGI Enterprises' heating, ventilation, air-conditioning, refrigeration and electrical contracting business ("HVAC/R"), net expenses of UGI's captive general liability insurance company and UGI Corporation's unallocated corporate and general expenses and interest income. Corporate & Other assets principally comprise cash, short-term investments, assets of HVAC/R and an intercompany loan. The intercompany loan and associated interest is removed in the segment presentation.

(d) Principally represents the elimination of intersegment transactions among Midstream & Marketing, Gas Utility and AmeriGas Propane.

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6. Energy Services Accounts Receivable Securitization Facility

Energy Services has a $200 receivables purchase facility (Receivables Facility) with an issuer of receivables-backed commercial paper currently scheduled to expire in April 2012, although the Receivables Facility may terminate prior to such date due to the termination of commitments of the Receivables Facility back-up purchasers.

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, Energy Services Funding Corporation (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 commercial paper conduit of a major bank. ESFC was created and has been structured to isolate its assets from creditors of Energy Services and its affiliates, including UGI. Energy Services continues to service, administer and collect trade receivables on behalf of the commercial paper issuer and ESFC. Trade receivables sold to the commercial paper conduit remain on the Company s balance sheet; the Company reflects a liability equal to the amount advanced by the commercial paper conduit; and the Company records interest expense on amounts sold to the commercial paper conduit.

During the three months ended December 31, 2011 and 2010, Energy Services transferred trade receivables to ESFC totaling $251.2 and $290.8, respectively. During the three months ended December 31, 2011 and 2010, ESFC sold an aggregate $94.0 and $61.5, respectively, of undivided interests in its trade receivables to the commercial paper conduit. At December 31, 2011, the balance of ESFC receivables was $78.4 and there was $33.2 sold to the commercial paper conduit. At December 31, 2010, the outstanding balance of ESFC receivables was $109.7 and there were no amounts sold to the commercial paper conduit.

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 8 to the Company s 2011 Annual Financial Statements and Notes. UGI Utilities does not recover a rate of return on its regulatory assets. The following regulatory assets and liabilities associated with Gas Utility and Electric Utility are included in our accompanying Condensed Consolidated Balance Sheets:

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	September 30, December 31, 2011	September 30, September 30, 2011	September 30, December 31, 2010
Regulatory assets:			
Income taxes recoverable	$ 98.7	$ 97.9	$ 83.6
Underfunded pension and postretirement plans	148.7	150.7	116.3
Environmental costs	19.4	19.5	22.5
Deferred fuel and power costs	14.8	12.2	18.1
Removal costs, net	11.9	12.3	12.2
Other	8.0	7.8	6.3
Total regulatory assets	$ 301.5	$ 300.4	$ 259.0
Regulatory liabilities:			
Postretirement benefits	$ 11.8	$ 11.5	$ 10.8
Environmental overcollections	4.7	4.7	7.0
Deferred fuel and power refunds	5.0	6.6	15.2
State tax benefits distribution system repairs	6.5	6.3	6.7
Other	0.4	0.7	
Total regulatory liabilities	$ 28.4	$ 29.8	$ 39.7

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

Gas Utility uses derivative financial instruments to reduce volatility in the cost of natural gas it purchases for firm- residential, commercial and industrial (retail core-market) customers. Realized and unrealized gains or losses on natural gas derivative financial instruments are included in deferred fuel costs or refunds. Unrealized gains (losses) on such contracts at December 31, 2011, September 30, 2011 and December 31, 2010 were $(2.6), $(3.1) and $2.2, respectively.

Electric Utility enters into forward electricity purchase contracts to meet a substantial portion of its electricity supply needs. During Fiscal 2010, Electric Utility determined that it could no longer assert that it would take physical delivery of substantially all of the electricity it had contracted for under its forward power purchase agreements and, as a result, such contracts no longer qualified for the normal purchases and normal sales exception related to derivative financial instruments. As a result, Electric Utility s electricity supply contracts are required to be recorded on the balance sheet at fair value with an associated adjustment to regulatory assets or liabilities in accordance with Electric Utility s DS recovery mechanism. At December 31, 2011, September 30, 2011 and December 31, 2010, the fair values of Electric Utility s electricity supply contracts were losses of $13.5, $8.7 and $13.4, respectively, which amounts are reflected in current derivative financial instrument liabilities and other noncurrent liabilities on the Condensed Consolidated Balance Sheets with equal and offsetting amounts reflected in deferred fuel and power costs in the table above.

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In order to reduce volatility associated with a substantial portion of its electric transmission congestion costs, Electric Utility obtains financial transmission rights (FTRs). FTRs are derivative financial instruments that entitle the holder to receive compensation for electricity transmission congestion charges when there is insufficient electricity transmission capacity on the electric transmission grid. Because Electric Utility is entitled to fully recover its DS costs, realized and unrealized gains or losses on FTRs are included in deferred fuel and power costs or refunds. Unrealized gains on FTRs at December 31, 2011, September 30, 2011 and December 31, 2010 were not material.

8. Defined Benefit Pension and Other Postretirement Plans

In the U.S., we currently sponsor one defined benefit pension plan for employees hired prior to January 1, 2009 of UGI, UGI Utilities, PNG, CPG and certain of UGI s other domestic wholly owned subsidiaries (Pension Plan). We also provide postretirement health care benefits to certain retirees and a limited number of active employees, and postretirement life insurance benefits to nearly all domestic active and retired employees. In addition, Antargaz employees are covered by certain defined benefit pension and postretirement plans.

Net periodic pension expense and other postretirement benefit costs include the following components:

	September 30,	September 30,	September 30,	September 30,
	Pension Benefits		Other Postretirement Benefits	
	Three Months Ended December 31,		Three Months Ended December 31,	
	2011	2010	2011	2010
Service cost	$ 2.1	$ 2.3	$ 0.1	$ 0.1
Interest cost	6.1	5.9	0.2	0.3
Expected return on assets	(6.4)	(6.5)	(0.1)	(0.1)
Amortization of:				
Prior service cost (benefit)	0.1	0.1	(0.1)	(0.2)
Actuarial loss	2.1	2.3	0.1	0.1
Net benefit cost	4.0	4.1	0.2	0.2
Change in associated regulatory liabilities			0.8	0.8
Net expense	$ 4.0	$ 4.1	$ 1.0	$ 1.0

Pension Plan assets are held in trust and consist principally of publicly traded, diversified equity and fixed income mutual funds and UGI Common Stock. It is our general policy to fund amounts for pension benefits equal to at least the minimum contribution required by ERISA. Based upon current assumptions, the Company estimates that it will be required to contribute approximately $32.0 to the Pension Plan during the next twelve months. During the three months ended December 31, 2011 and 2010, the Company made contributions to the Pension Plan of $4.1 and $1.8, respectively. UGI Utilities has established a Voluntary Employees Beneficiary Association (VEBA) trust to pay UGI.

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Gas and Electric Utility s postretirement health care and life insurance benefits referred to above by depositing into the VEBA the annual amount of postretirement benefit costs determined under GAAP for postretirement benefits other than pensions. The difference between such amounts calculated under GAAP and the amounts included in UGI Gas and Electric Utility s rates is deferred for future recovery from, or refund to, ratepayers. Amounts contributed to the VEBA by UGI Utilities were not material during the three months ended December 31, 2011 and 2010, nor are they expected to be material for all of Fiscal 2012.

We also sponsor unfunded and non-qualified defined benefit supplemental executive retirement plans. We recorded pre-tax expense associated with these plans of $0.7 and $0.6 for the three months ended December 31, 2011 and 2010, respectively.

9. Debt

In December 2011, Flaga entered into a 19.1 ($24.8 at December 31, 2011) euro-based variable-rate term loan agreement. Proceeds from the term loan were used, in large part, to fund Flaga s October 2011 acquisition of Shell s LPG propane businesses in Finland, Norway, Sweden and Denmark. The term loan matures in October 2016 and bears interest at three-month euribor rates plus a margin. The margin on such borrowings ranges from 1.175% to 2.525%. Flaga has effectively fixed the euribor component of the interest rate on this term loan at 1.79% by entering into an interest rate swap agreement. The effective interest rate on this term loan at December 31, 2011 was 3.85%.

10. Commitments and Contingencies

Environmental Matters

CPG is party to a Consent Order and Agreement (CPG-COA) with the Pennsylvania Department of Environmental Protection (DEP) requiring CPG to perform a specified level of activities associated with environmental investigation and remediation work at certain properties in Pennsylvania on which manufactured gas plant (MGP) related facilities were operated (CPG MGP Properties) and to plug a minimum number of non-producing natural gas wells per year. In addition, PNG is a party to a Multi-Site Remediation Consent Order and Agreement (PNG-COA) with the DEP. The PNG-COA requires PNG to perform annually a specified level of activities associated with environmental investigation and remediation work at certain properties on which MGP-related facilities were operated (PNG MGP Properties). Under these agreements, environmental expenditures relating to the CPG MGP Properties and the PNG MGP Properties are capped at $1.8 and $1.1, respectively, in any calendar year. The CPG-COA terminates at the end of 2013. The PNG-COA terminates in 2019 but may be terminated by either party effective at the end of any two-year period beginning with the original effective date in March 2004. At December 31, 2011 and 2010, our accrued liabilities for environmental investigation and remediation costs related to the CPG-COA and the PNG-COA totaled $17.8 and $21.3, respectively. We have recorded associated regulatory assets in equal amounts.

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