UGI CORP /PA/
Form 10-Q
May 08, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2015
OR
¨ 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.)
460 North Gulph Road, King of Prussia, PA (Address of principal executive offices)	19406 (Zip Code)

(610) 337-1000
(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 ý 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 ý 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	ý	Accelerated filer	¨
Non-accelerated filer	¨	Smaller reporting company	¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No ý
At April 30, 2015, there were 172,497,596 shares of UGI Corporation Common Stock, without par value, outstanding.

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UGI CORPORATION AND SUBSIDIARIES

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

	March 31, 2015	September 30, 2014	March 31, 2014
ASSETS			
Current assets:			
Cash and cash equivalents	$445.5	$419.5	$493.6
Restricted cash	56.7	16.6	4.4
Accounts receivable (less allowances for doubtful accounts of $42.7, $39.1 and $57.9, respectively)	1,046.0	684.7	1,323.3
Accrued utility revenues	42.1	14.3	49.7
Inventories	201.5	423.0	324.4
Deferred income taxes	49.6	10.1	10.8
Utility regulatory assets	0.6	13.2	4.2
Derivative instruments	33.1	14.5	22.2
Prepaid expenses and other current assets	83.9	67.1	48.5
Total current assets	1,959.0	1,663.0	2,281.1
Property, plant and equipment, at cost (less accumulated depreciation and amortization of $2,691.0, $2,633.0 and $2,637.8, respectively)	4,486.3	4,543.7	4,519.1
Goodwill	2,731.2	2,833.4	2,886.0
Intangible assets, net	537.5	576.4	608.2
Derivative instruments	20.9	12.5	0.8
Other assets	447.8	464.0	425.3
Total assets	$10,182.7	$10,093.0	$10,720.5
LIABILITIES AND EQUITY			
Current liabilities:			
Current maturities of long-term debt	$470.5	$77.2	$65.0
Short-term borrowings	89.9	210.8	260.1
Accounts payable	440.8	459.8	634.1
Derivative instruments	129.0	40.2	27.5
Other current liabilities	719.5	642.9	668.6
Total current liabilities	1,849.7	1,430.9	1,655.3
Long-term debt	2,958.2	3,433.6	3,548.6
Deferred income taxes	942.0	1,005.1	984.4
Deferred investment tax credits	3.8	3.9	4.1
Derivative instruments	34.3	16.6	29.2
Other noncurrent liabilities	511.0	539.7	496.8
Total liabilities	6,299.0	6,429.8	6,718.4
Commitments and contingencies (Note 9)			
Equity:			
UGI Corporation stockholders' equity:			
UGI Common Stock, without par value (authorized—450,000,000 shares; issued—173,788,741, 173,770,641 and 173,729,541 shares, respectively)	1,215.0	1,215.6	1,215.6
Retained earnings	1,715.0	1,509.4	1,579.9
Accumulated other comprehensive (loss) income	(85.4)	(21.2)	24.3
Treasury stock, at cost	(41.6)	(44.7)	(24.6)

Total UGI Corporation stockholders’ equity	2,803.0	2,659.1	2,795.2
Noncontrolling interests, principally in AmeriGas Partners	1,080.7	1,004.1	1,206.9
Total equity	3,883.7	3,663.2	4,002.1
Total liabilities and equity	$10,182.7	$10,093.0	$10,720.5

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended March 31,		Six Months Ended March 31,	
	2015	2014	2015	2014
Revenues	$2,455.6	$3,163.3	$4,460.2	$5,479.2
Costs and expenses:				
Cost of sales (excluding depreciation shown below)	1,205.4	2,001.3	2,610.0	3,431.2
Operating and administrative expenses	466.6	492.0	902.3	923.5
Utility taxes other than income taxes	4.8	4.8	8.9	9.0
Depreciation	73.8	76.8	149.6	155.4
Amortization	14.2	10.9	29.4	26.3
Other operating income, net	(11.3)	(11.1)	(25.4)	(18.5)
	1,753.5	2,574.7	3,674.8	4,526.9
Operating income	702.1	588.6	785.4	952.3
Loss from equity investees	(0.1)	—	(1.1)	—
Interest expense	(58.2)	(59.5)	(117.2)	(118.8)
Income before income taxes	643.8	529.1	667.1	833.5
Income tax expense	(161.6)	(141.3)	(184.7)	(228.2)
Net income	482.2	387.8	482.4	605.3
Deduct net income attributable to noncontrolling interests, principally in AmeriGas Partners	(235.7)	(173.4)	(201.8)	(268.9)
Net income attributable to UGI Corporation	$246.5	$214.4	$280.6	$336.4
Earnings per common share attributable to UGI Corporation stockholders:				
Basic	$1.42	$1.24	$1.62	$1.95
Diluted	$1.40	$1.22	$1.60	$1.92
Average common shares outstanding (thousands):				
Basic	173,154	172,760	173,055	172,494
Diluted	175,628	175,121	175,715	174,789
Dividends declared per common share	$0.2175	$0.1883	$0.4350	$0.3767

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended March 31,		Six Months Ended March 31,	
	2015	2014	2015	2014
Net income	$482.2	$387.8	$482.4	$605.3
Other comprehensive income (loss):				
Net gains on derivative instruments (net of tax of $(10.4), $0.4, $(14.3) and $(7.1), respectively)	20.2	6.3	27.9	46.8
Reclassifications of net losses (gains) on derivative instruments (net of tax of $1.1, $3.3, $(0.4) and $5.3, respectively)	(1.9)	(31.4)	0.2	(45.2)
Foreign currency adjustments (net of tax of $35.0, $0.6, $50.6 and $(3.1), respectively)	(64.5)	(0.6)	(95.0)	11.7
Benefit plans (net of tax of $(0.2), $(0.1), $(0.6) and $0.0, respectively)	0.4	0.2	1.0	0.6
Other comprehensive (loss) income	(45.8)	(25.5)	(65.9)	13.9
Comprehensive income	436.4	362.3	416.5	619.2
Deduct comprehensive income attributable to noncontrolling interests, principally in AmeriGas Partners	(235.1)	(155.8)	(200.1)	(266.9)
Comprehensive income attributable to UGI Corporation	$201.3	$206.5	$216.4	$352.3

See accompanying notes to condensed consolidated financial statements.

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

	Six Months Ended March 31, 2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$482.4	$605.3
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	179.0	181.7
Deferred income tax (benefit) expense, net	(33.7)	13.0
Provision for uncollectible accounts	20.7	31.4
Unrealized losses on derivative instruments	125.2	8.0
Other, net	7.0	(6.8)
Net change in:		
Accounts receivable and accrued utility revenues	(469.7)	(632.5)
Inventories	208.0	43.0
Utility deferred fuel and power costs, net of changes in unsettled derivatives	55.8	(10.2)
Accounts payable	31.8	194.1
Other current assets	(8.3)	3.6
Other current liabilities	59.6	52.4
Net cash provided by operating activities	657.8	483.0
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditures for property, plant and equipment	(233.5)	(224.4)
Acquisitions of businesses, net of cash acquired	(7.3)	(21.3)
(Increase) decrease in restricted cash	(40.1)	3.9
Other, net	15.1	4.5
Net cash used by investing activities	(265.8)	(237.3)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends on UGI Common Stock	(75.0)	(64.8)
Distributions on AmeriGas Partners publicly held Common Units	(121.7)	(116.1)
Issuances of debt	—	175.1
Repayments of debt	(6.9)	(182.8)
(Decrease) increase in short-term borrowings	(112.2)	51.5
Receivables Facility net repayments	(7.5)	(19.5)
Issuances of UGI Common Stock	5.0	10.3
Repurchases of UGI Common Stock	(17.3)	(4.5)
Other	(2.3)	5.4
Net cash used by financing activities	(337.9)	(145.4)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(28.1)	4.0
Cash and cash equivalents increase	$26.0	$104.3
Cash and cash equivalents:		
End of period	$445.5	$493.6
Beginning of period	419.5	389.3
Increase	$26.0	$104.3

See accompanying notes to condensed consolidated financial statements.

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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(unaudited)
(Millions of dollars)

	Six Months Ended March 31, 2015	2014
Common stock, without par value		
Balance, beginning of period	$1,215.6	$1,208.1
Common Stock issued in connection with employee and director plans (including (losses) gains on treasury stock transactions), net of tax withheld	(15.1)	(5.2)
Excess tax benefits realized on equity-based compensation	5.0	5.9
Equity-based compensation expense	9.5	6.8
Balance, end of period	$1,215.0	$1,215.6
Retained earnings		
Balance, beginning of period	$1,509.4	$1,308.3
Net income attributable to UGI Corporation	280.6	336.4
Cash dividends on Common Stock	(75.0)	(64.8)
Balance, end of period	$1,715.0	$1,579.9
Accumulated other comprehensive (loss) income		
Balance, beginning of period	$(21.2)	$8.4
Net gains on derivative instruments, net of tax	27.9	13.5
Reclassification of net losses (gains) on derivative instruments, net of tax	1.9	(9.9)
Benefit plans, net of tax	1.0	0.6
Foreign currency, net of tax	(95.0)	11.7
Balance, end of period	$(85.4)	$24.3
Treasury stock		
Balance, beginning of period	$(44.7)	$(32.3)
Common stock issued in connection with employee and director plans, net of tax withheld	24.7	29.9
Repurchases of Common Stock	(17.3)	(4.5)
Reacquired common stock - employee and director plans	(4.3)	(17.7)
Balance, end of period	$(41.6)	$(24.6)
Total UGI Corporation stockholders' equity	$2,803.0	$2,795.2
Noncontrolling interests		
Balance, beginning of period	$1,004.1	$1,055.4
Net income attributable to noncontrolling interests, principally in AmeriGas Partners	201.8	268.9
Net gains on derivative instruments	—	33.3
Reclassification of net gains on derivative instruments	(1.7)	(35.3)
Dividends and distributions	(122.2)	(116.1)
Other	(1.3)	0.7
Balance, end of period	$1,080.7	$1,206.9
Total equity	$3,883.7	$4,002.1

See accompanying notes to condensed consolidated financial statements.

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Note 1 — Nature of Operations

UGI Corporation (“UGI”) is a holding company that, through subsidiaries and affiliates, distributes, stores, transports and markets energy products and related services. In the United States, we (1) are the general partner and own limited partner interests in a retail propane marketing and distribution business; (2) own and operate natural gas and electric distribution utilities; (3) own all or a portion of electricity generation facilities; and (4) own and operate an energy marketing, midstream infrastructure, storage, natural gas gathering, natural gas production 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”). AmeriGas Partners is a publicly traded limited partnership that conducts a national propane distribution business through its principal operating subsidiary AmeriGas Propane, L.P. (“AmeriGas OLP”), which is referred to herein as 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 March 31, 2015, the General Partner held a 1% general partner interest and a 25.3% limited partner interest in AmeriGas Partners and held an effective 27.1% ownership interest in AmeriGas OLP. Our limited partnership interest in AmeriGas Partners comprises 23,756,882 AmeriGas Partners Common Units (“Common Units”). The remaining 73.7% interest in AmeriGas Partners comprises 69,131,947 Common Units held by the public. The General Partner also holds incentive distribution rights that entitle it to receive distributions from AmeriGas Partners in excess of its 1% general partner interest under certain circumstances as further described in Note 15 of our Annual Report on Form 10-K for the fiscal year ended September 30, 2014 (the “Company’s 2014 Annual Report”). Incentive distributions received by the General Partner during the six months ended March 31, 2015 and 2014 were $13.1 and $10.8, respectively.

Our wholly owned subsidiary, UGI Enterprises, Inc. (“Enterprises”), through subsidiaries, conducts (1) an LPG distribution business in France, Belgium, the Netherlands and Luxembourg (“Antargaz”); (2) an LPG distribution business in central, northern and eastern Europe (“Flaga”); (3) an LPG distribution business in the United Kingdom (“AvantiGas”); and (4) an LPG distribution business in the Nantong region of China. We refer to our foreign LPG operations collectively as “UGI International.”

Enterprises, through UGI Energy Services, LLC and its subsidiaries, conducts an energy marketing, midstream infrastructure, storage, natural gas gathering, natural gas production and energy services business primarily in the Mid-Atlantic and Northeast U.S. In addition, UGI Energy Services, LLC’s wholly owned subsidiary, UGI Development Company (“UGID”), owns all or a portion of electricity generation facilities principally located in Pennsylvania. These businesses are referred to herein collectively as “Midstream & Marketing.” UGI Energy Services, LLC is referred to herein as “Energy Services.” Enterprises also conducts heating, ventilation, air-conditioning, refrigeration and electrical contracting businesses in the Mid-Atlantic region through first-tier subsidiaries.

Our natural gas distribution utility business (“Gas Utility”) is 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.” 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. Electric Utility is subject to regulation by the PUC. Gas Utility and Electric Utility are collectively referred to as “Utilities.”

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Note 2 — Summary of 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 report the public's limited partner interests in the Partnership, and outside ownership interests in other consolidated but less than 100%-owned subsidiaries, as noncontrolling interests. We eliminate intercompany accounts and transactions when we consolidate. Entities in which we do not have control but have significant influence over operating and financial policies are accounted for by the equity method. Investments in business entities that are not publicly traded and in which we hold less than 20% of voting rights are accounted for using the cost method. Undivided interests in natural gas production assets and an electricity generation facility are consolidated on a proportionate basis.

The accompanying condensed consolidated financial statements are unaudited and have been prepared in accordance with the rules and regulations of the U.S. Securities and Exchange Commission ("SEC"). They include all adjustments that we consider necessary for a fair statement of the results for the interim periods presented. Such adjustments consisted only of normal recurring items unless otherwise disclosed. The September 30, 2014, condensed consolidated balance sheet data was derived from audited financial statements but does 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 the Company's 2014 Annual Report. Due to the seasonal nature of our businesses, the results of operations for interim periods are not necessarily indicative of the results to be expected for a full year.

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.

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

	Three Months Ended March 31,		Six Months Ended March 31,	
	2015	2014	2015	2014
Denominator (thousands of shares):				
Average common shares outstanding for basic computation	173,154	172,760	173,055	172,494
Incremental shares issuable for stock options and awards	2,474	2,361	2,660	2,295
Average common shares outstanding for diluted computation	175,628	175,121	175,715	174,789

Derivative Instruments. Derivative instruments are reported in the Condensed Consolidated Balance Sheets at their fair values, unless the derivative instruments qualify for the normal purchase and normal sale ("NPNS") exception under GAAP. The accounting for changes in fair value depends upon the purpose of the derivative instrument and whether it is designated and qualifies for hedge accounting.

Certain of our derivative instruments are designated and qualify as cash flow hedges or net investment hedges. For cash flow hedges, changes in the fair values of the derivative instruments are recorded in accumulated other comprehensive income (“AOCI”) or noncontrolling interests, 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 the forecasted transaction is determined to be no longer probable. Gains and losses on net investment hedges which relate to our foreign operations are included in AOCI until such foreign net investment is sold or liquidated. Unrealized gains and losses on certain commodity derivative instruments used by Gas Utility and Electric Utility are included in regulatory assets or liabilities because it is probable such gains or losses will be recoverable from, or refundable to, customers.

Effective October 1, 2014, UGI International determined that on a prospective basis it would not elect cash flow hedge accounting for its commodity derivative transactions and also de-designated its then-existing commodity derivative instruments accounted for as cash flow hedges. Also effective October 1, 2014, AmeriGas Propane de-designated its remaining commodity derivative instruments accounted for as cash flow hedges. Previously, AmeriGas Propane had discontinued cash flow hedge accounting for all commodity derivative instruments entered into beginning April 1, 2014. Midstream & Marketing has not applied cash flow hedge accounting for its commodity derivative instruments during any of the periods presented. Substantially all realized and unrealized gains and losses on commodity derivative instruments are recorded in cost of sales or revenues. For additional information on our derivative instruments, see Note 12.

Reclassifications. Certain prior period amounts have been reclassified to conform to current period presentation.

Consolidated Effective Income Tax Rate. UGI's consolidated effective income tax rate, defined as total income tax (expense) or benefit as a percentage of income (loss) before income taxes, includes amounts associated with noncontrolling interests in the Partnership, which principally comprises AmeriGas Partners and AmeriGas OLP. AmeriGas Partners and AmeriGas OLP are not directly subject to federal income taxes. As a result, UGI's consolidated effective income tax rate is affected by the amount of income (loss) before income taxes attributable to noncontrolling interests in the Partnership not subject to income taxes.

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

Note 3 — Accounting Changes

Accounting Standards Not Yet Adopted

Consolidation. In February 2015, the Financial Accounting Standards Board ("FASB") issued new guidance regarding whether a reporting entity should consolidate certain types of legal entities. Among other things, the new guidance modifies the evaluation of whether limited partnerships and similar entities are variable interest entities ("VIEs") or voting interest entities, and also eliminates the presumption that a general partner should consolidate a limited partnership. The new guidance also affects the consolidation analysis of reporting entities that are involved with VIEs including those that have fee arrangements and related party relationships. The new guidance is effective for the Company beginning in Fiscal 2017. Early adoption is permitted. The Company is in the process of assessing the impact on its financial statements, if any, from the adoption of the new guidance.

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

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

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Note 4 — Inventories

Inventories comprise the following:

	March 31, 2015	September 30, 2014	March 31, 2014
Non-utility LPG and natural gas	$135.8	$283.6	$251.4
Gas Utility natural gas	6.3	82.7	7.5
Materials, supplies and other	59.4	56.7	65.5
Total inventories	$201.5	$423.0	$324.4

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

As of March 31, 2015, UGI Utilities has SCAAs with Energy Services and a non-affiliate. The carrying value of gas storage inventories released under the SCAAs with non-affiliates at March 31, 2015, September 30, 2014 and March 31, 2014, comprising 0.2 billion cubic feet ("bcf"), 3.9 bcf and 0.2 bcf of natural gas, was $0.7, $16.8 and $0.8, respectively.

Note 5 — Goodwill and Intangible Assets

Goodwill and intangible assets comprise the following:

	March 31, 2015	September 30, 2014	March 31, 2014
Goodwill (not subject to amortization)	$2,731.2	$2,833.4	$2,886.0
Intangible assets:			
Customer relationships, noncompete agreements and other	$670.2	$712.0	$727.5
Accumulated amortization	(254.1)	(263.8)	(251.6)
Intangible assets, net (definite-lived)	416.1	448.2	475.9
Trademarks and tradenames (indefinite-lived)	121.4	128.2	132.3
Total intangible assets, net	$537.5	$576.4	$608.2

The decrease in goodwill and intangible assets at March 31, 2015, includes the effects of currency translation. Amortization expense of intangible assets was $12.0 and $25.0 for the three and six months ended March 31, 2015, respectively. Amortization expense of intangible assets was $8.9 and $22.2 for the three and six months ended March 31, 2014, respectively. Amortization expense included in cost of sales in the Condensed Consolidated Statements of Income is not material. The estimated aggregate amortization expense of intangible assets for the remainder of Fiscal 2015 and for the next four fiscal years is as follows: remainder of Fiscal 2015 — $24.7; Fiscal 2016 — $44.3; Fiscal 2017 — $38.1; Fiscal 2018 — $36.4; Fiscal 2019 — $34.8.

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Note 6 — 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 2014 Annual Report. UGI Utilities does not recover a rate of return on its regulatory assets. The following regulatory assets and liabilities associated with Utilities are included in our accompanying Condensed Consolidated Balance Sheets:

	March 31, 2015	September 30, 2014	March 31, 2014
Regulatory assets (a):			
Income taxes recoverable	$111.5	$110.7	$106.8
Underfunded pension and postretirement plans	105.5	110.1	91.0
Environmental costs	14.1	14.6	14.5
Deferred fuel and power costs	—	11.8	4.3
Removal costs, net	18.4	16.8	14.4
Other	3.1	4.2	4.9
Total regulatory assets	$252.6	$268.2	$235.9
Regulatory liabilities (a):			
Postretirement benefits	$19.3	$18.6	$17.2
Environmental overcollections	—	0.3	1.9
Deferred fuel and power refunds	40.6	0.3	3.2
State tax benefits—distribution system repairs	10.6	10.1	9.0
Other	2.1	3.2	1.8
Total regulatory liabilities	$72.6	$32.5	$33.1

(a) Noncurrent regulatory assets are recorded in other assets and regulatory liabilities are recorded in other current and other noncurrent liabilities in the Condensed Consolidated Balance Sheets.

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

Gas Utility uses derivative instruments to reduce volatility in the cost of gas it purchases for firm- residential, commercial and industrial ("retail core-market") customers. Realized and unrealized gains or losses on natural gas derivative instruments are included in deferred fuel costs or refunds. Net unrealized gains (losses) on such contracts at March 31, 2015, September 30, 2014 and March 31, 2014 were $(3.4), $(1.4) and $2.4, respectively.

Electric Utility enters into forward electricity purchase contracts to meet a substantial portion of its electricity supply needs. We have chosen not to elect the NPNS exception under GAAP related to these derivative instruments for all forward electricity purchase contracts entered into prior to March 1, 2015. These electricity supply contracts are recognized on the balance sheet at fair value with an associated adjustment to regulatory assets or liabilities because Electric Utility is entitled to fully recover its DS costs. At March 31, 2015, September 30, 2014, and March 31, 2014, the fair values of Electric Utility's electricity supply contracts were gains (losses) of $(1.2), $0.3 and $0.4, respectively.

These amounts are reflected in current and noncurrent derivative assets and current and noncurrent derivative liabilities on the Condensed Consolidated Balance Sheets with equal and offsetting amounts reflected in deferred fuel and power costs and refunds in the table above. Effective with Electric Utility forward electricity purchase contracts entered into beginning March 1, 2015, Electric Utility will elect the NPNS exception under GAAP and, as a result, the fair values of such contracts will not be recognized on the balance sheet (see Note 12).

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

Note 7 — Energy Services Accounts Receivable Securitization Facility

Energy Services has a receivables purchase facility (“Receivables Facility”) with an issuer of receivables-backed commercial paper currently scheduled to expire in October 2015. The Receivables Facility provides Energy Services with the ability to borrow up to $150 of eligible receivables during the period November to May and up to $75 of eligible receivables during the period June to October. 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, 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 major bank. 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 or the commercial paper conduit. The Company records interest expense on amounts owed to the bank or the commercial paper conduit. Energy Services continues to service, administer and collect trade receivables on behalf of the bank or commercial paper issuer, as applicable.

During the six months ended March 31, 2015 and 2014, Energy Services transferred trade receivables to ESFC totaling $692.0 and $820.7, respectively. During the six months ended March 31, 2015 and 2014, ESFC sold an aggregate $216.5 and $251.0, respectively, of undivided interests in its trade receivables to the bank. At March 31, 2015, the outstanding balance of ESFC receivables was $96.9 and there were no amounts sold to the bank. At March 31, 2014, the outstanding balance of ESFC receivables was $124.1 of which $10.5 was sold to the bank. Losses on sales of receivables to the bank during the six months ended March 31, 2015 and 2014, which are included in interest expense on the Condensed Consolidated Statements of Income, were not material.

Note 8 — Debt

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

In anticipation of the Company's pending acquisition of Total's retail LPG distribution business in France ("Totalgaz") expected to occur during the third quarter of Fiscal 2015, on April 30, 2015, UGI France, an indirect wholly owned subsidiary of UGI, entered into a new Senior Facilities Agreement with a consortium of banks (the "2015 Senior Facilities Agreement") having a final maturity date of April 30, 2020. UGI France expects to draw under the Senior Facilities Agreement substantially concurrent with the closing of the pending Totalgaz acquisition. The 2015 Senior Facilities Agreement, when drawn, will consist of a €600 variable-rate term loan and also a €60 revolving credit facility. The term loan proceeds from the 2015 Senior Facilities Agreement will be used to (1) fund a portion of the acquisition of Totalgaz, including related fees and expenses; (2) prepay €342 principal amount, plus accrued interest, outstanding under Antargaz' 2011 Senior Facilities Agreement due March 2016 (the "2011 Senior Facilities Agreement"); (3) settle Antargaz' existing pay-fixed, receive-variable interest rate swaps associated with the 2011 Senior Facilities Agreement; and (4) for general corporate purposes. As of March 31, 2015, the fair value of the interest rate swaps was a loss of $10.3. UGI France does not intend to draw on either the term loan or the revolving credit facility until the closing date of the Totalgaz acquisition, which is required to occur no later than June 30, 2015, pursuant to the terms of the 2015 Senior Facilities Agreement.

Borrowings under the 2015 Senior Facilities Agreement €600 term loan and the €60 revolving credit facility will bear interest at rates per annum comprising the aggregate of the applicable margin and the associated euribor rate. The margin on such borrowings (which ranges from 1.60% to 2.70% for the term loan, and 1.45% to 2.55% for the revolving credit facility) will be dependent upon the ratio of UGI France's consolidated total net debt to earnings before interest expense, income taxes, depreciation, and amortization ("EBITDA"), each as defined in the 2015 Senior Facilities Agreement. UGI France expects to enter into pay-fixed, receive-variable interest rate swaps to fix the underlying euribor rate of interest on the term loan.
Principal amounts to be outstanding under the 2015 Senior Facilities Agreement term loan will be due as follows: €60 due April 30, 2018; €60 due April 30, 2019; and €480 million due April 30, 2020.The 2015 Senior Facilities Agreement restricts the ability of UGI France to, among other things, incur additional indebtedness, make investments, incur liens, and effect mergers, consolidations and sales of assets, and requires UGI France and its consolidated subsidiaries to maintain a ratio of total net debt to EBITDA, each as defined in the 2015 Senior Facilities Agreement, that shall not exceed (a) 3.75 to 1.00 from the closing date of the pending Totalgaz acquisition to September 30, 2015, and (b) 3.50 to 1.00 from October 1, 2015, to the final maturity date. UGI France will generally be permitted to make restricted payments, such as dividends, if no event of default exists or would exist upon payment of such dividend.

Note 9 — Commitments and Contingencies

Environmental Matters

UGI Utilities

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 is scheduled to terminate at the end of 2018. The PNG-COA terminates in 2019 but may be terminated by either party effective at the end of any two-year period beginning with the original effective date in March 2004. At March 31, 2015 and 2014, our accrued liabilities for environmental investigation and remediation costs related to the CPG-COA and the PNG-COA totaled $9.6 and $11.1, respectively. We have recorded associated regulatory assets for these costs because recovery of these costs from customers is probable.

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

UGI Utilities does not expect its costs for investigation and remediation of hazardous substances at Pennsylvania MGP sites to be material to its results of operations because (1) UGI Gas is currently permitted to include in rates, through future base rate proceedings, a five-year average of such prudently incurred remediation costs and (2) CPG and PNG are currently receiving regulatory recovery of estimated environmental investigation and remediation costs associated with Pennsylvania sites. At March 31, 2015, neither the undiscounted nor the accrued liability for environmental investigation and cleanup costs for UGI Gas was material.

From time to time, UGI Utilities is notified of sites outside Pennsylvania on which private parties allege MGPs were formerly owned or operated by UGI Utilities or owned or operated by its former subsidiaries. Such parties generally investigate the extent of environmental contamination or perform environmental remediation. Management believes that under applicable law UGI

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

Other Matters

Purported Class Action Lawsuits. Between May and October of 2014, more than 35 purported class action lawsuits were filed in multiple jurisdictions against the Partnership/UGI Corporation and a competitor by certain of their direct and indirect customers. The class action lawsuits allege, among other things, that the Partnership and its competitor colluded, beginning in 2008, to reduce the fill level of portable propane cylinders from 17 pounds to 15 pounds and combined to persuade its common customer, Walmart Stores, Inc., to accept that fill reduction, resulting in increased cylinder costs to retailers and end-user customers in violation of federal and certain state antitrust laws. The claims seek treble damages, injunctive relief, attorneys' fees and costs on behalf of the putative classes. On October 16, 2014, the United States Judicial Panel on Multidistrict Litigation transferred all of these purported class action cases to the Western Division of the Western District of Missouri. We are unable to reasonably estimate the impact, if any, arising from such litigation. We believe we have strong defenses to the claims and intend to vigorously defend against them.

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 consolidated financial position, results of operations or cash flows.

Note 10 — Defined Benefit Pension and Other Postretirement Plans

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

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

	Pension Benefits		Other Postretirement Benefits	
Three Months Ended March 31,	2015	2014	2015	2014
Service cost	$2.5	$2.3	$0.1	$0.1
Interest cost	6.3	6.5	0.2	0.2
Expected return on assets	(8.0)	(7.3)	(0.1)	(0.1)
Amortization of:				
Prior service cost (benefit)	0.1	0.1	(0.1)	(0.1)
Actuarial loss	2.5	1.9	—	—
Net benefit cost	3.4	3.5	0.1	0.1
Change in associated regulatory liabilities	—	—	1.0	0.9
Net expense	$3.4	$3.5	$1.1	$1.0

	Pension Benefits		Other Postretirement Benefits	
Six Months Ended March 31,	2015	2014	2015	2014
Service cost	$4.9	$4.7	$0.3	$0.3
Interest cost	12.6	12.9	0.4	0.5
Expected return on assets	(15.9)	(14.7)	(0.3)	(0.3)
Amortization of:				
Prior service cost (benefit)	0.2	0.2	(0.2)	(0.2)
Actuarial loss	5.0	3.8	—	—
Net benefit cost	6.8	6.9	0.2	0.3
Change in associated regulatory liabilities	—	—	1.9	1.8
Net expense	$6.8	$6.9	$2.1	$2.1

The U.S. Pension Plan's assets are held in trust and consist principally of publicly traded, diversified equity and fixed income mutual funds and, to a much lesser extent, smallcap common stocks and UGI Common Stock. It is our general policy to fund amounts for U.S. Pension Plan benefits equal to at least the minimum required contribution set forth in applicable employee benefit laws. During the six months ended March 31, 2015 and 2014, the Company made cash contributions to the U.S. Pension Plan of $5.6 and $7.0, respectively. The Company expects to make additional discretionary cash contributions of approximately $5.6 to the U.S. Pension Plan during the remainder of Fiscal 2015.

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

We also sponsor unfunded and non-qualified supplemental executive defined benefit retirement plans ("Supplemental Defined Benefit Plans"). We recorded pre-tax expense associated with these plans of $0.6 and $0.9 in the three months ended March 31, 2015 and 2014, respectively. We recorded pre-tax expense associated with these plans of $1.3 and $1.7 in the six months ended March 31, 2015 and 2014, respectively.

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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, as of March 31, 2015, September 30, 2014 and March 31, 2014:

	Asset (Liability)			
	Level 1	Level 2	Level 3	Total
March 31, 2015:				
Derivative instruments:				
Assets:				
Commodity contracts	$13.9	$8.3	$—	$22.2
Foreign currency contracts	$—	$35.8	$—	$35.8
Interest rate contracts	$—	$0.1	$—	$0.1
Cross-currency swaps	$—	$9.7	$—	$9.7
Liabilities:				
Commodity contracts	$(64.0)	$(104.3)	$—	$(168.3)
Interest rate contracts	$—	$(12.5)	$—	$(12.5)
Non-qualified supplemental postretirement grantor trust investments (a)	$31.8	$—	$—	$31.8
September 30, 2014:				