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March 30, 2015

Honorable Rosemary Chiavetta
Pennsylvania Public Utility Commission
Commonwealth Keystone Building 2nd Floor
P.O. Box 3265
Harrisburg, PA 17105-3265

RECEIVED

MAR 30 2015

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

Re: UGI Penn Natural Gas, Inc.

Dear Secretary Chiavetta:

Gannett Fleming Valuation and Rate Consultants, LLC, on behalf of UGI Penn Natural Gas, Inc., hereby submits an original and two copies of its Annual Depreciation Report for 2014 in accordance with monitoring of depreciation practices set forth in 52 Pa. Code Chapter 73.9(a). We have also included a CD which contains the electronic files for the report.

A copy of this letter is attached to be date-stamped and forwarded in the enclosed addressed, stamped envelope.

Very truly yours,

GANNETT FLEMING VALUATION
AND RATE CONSULTANTS, LLC

A handwritten signature in cursive script that reads "John F. Wiedmayer".

JOHN F. WIEDMAYER, CDP
Project Manager, Depreciation

JFW:krm

Enclosure

cc: Johnnie E. Simms, Esq., Bureau of Investigation and Enforcement (w/encl-1)
Tanya J. McCloskey, Esq., Office of Consumer Advocate (w/encl-1)
Mr. John R. Evans, Office of Small Business Advocate (w/encl-1)

Gannett Fleming Valuation and Rate Consultants, LLC

P.O. Box 80794 • Valley Forge, PA 19484-0794 | 1010 Adams Avenue • Audubon, PA 19403-2402

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UGI PENN NATURAL GAS, INC.
ANNUAL DEPRECIATION REPORT TO THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION
(CODE M-122150-ADR-2015)

MARCH 2015

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PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

UGI PENN NATURAL GAS, INC.

ANNUAL DEPRECIATION REPORT TO THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION
(CODE M-122150-ADR-2015)

MARCH 2015

EXECUTIVE SUMMARY

UGI Penn Natural Gas, Inc. ("UGI-PNG"), a subsidiary of UGI Utilities, Inc. is a regulated public utility engaged in the distribution of natural gas. The regulations of the Pennsylvania Public Utility Commission require that utilities providing gas service and having gross intrastate revenues in excess of \$20 million per year submit an Annual Depreciation Report. This report is prepared in response to the requirements related to the monitoring of depreciation practices set forth in 52 Pa. Code Chapter 73.9(a). In accordance with the requirements, the report presents an explanation of the methods used; a comparison of the annual depreciation and book reserves by function at September 30, 2012, September 30, 2013 and September 30, 2014; a summary of the calculation of remaining life depreciation accrual rates as of September 30, 2014; a summary of plant accounting transactions, including fiscal year 2014 retirements expressed as a percent of the beginning-of-year plant balances; a summary of the depreciation reserve activity, including the reserve expressed as a percent of the plant balance at September 30, 2014; an explanation of any unusual plant or reserve entries; the net salvage amortization amount for fiscal year 2015 based on October 1, 2009 through September 30, 2014 experience; and, an explanation of exclusions from the experienced net salvage.

The annual accrual rate calculations are based on the same group procedures and bases as those used in last year's Annual Depreciation Report. The

service life estimates, based on a study incorporating data through fiscal year 2010, are the same as those used in last year's report.

Table 1 presents a comparison of the annual depreciation expense and book reserves by function at September 30, 2012, September 30, 2013 and September 30, 2014. Changes to accrual rates are relatively minor, and are mainly the result of changes in the relative proportion of account balances within a functional plant category. The composite annual depreciation accrual rate for depreciable gas plant subject to regulation is 2.26 percent as of September 30, 2014, in comparison to 2.25 percent as of September 30, 2013 and 2.29 percent as of September 30, 2012.

Table 2 summarizes the calculated annual depreciation accrual rates by account as of September 30, 2014. Tables 3 and 4 present summaries of the plant and reserve activity, respectively, for fiscal year ended September 30, 2014. A review of any unusual entries is set forth in the section "2014 Plant and Reserve Activity". Table 5 sets forth the annual net salvage amortization amount for 2015 as determined by the experience during the prior five-year period, October 1, 2009 through September 30, 2014.

REMAINING LIFE DEPRECIATION ACCRUAL RATES

The annual depreciation accrual rates to be used for book purposes during fiscal year 2015 are calculated as of September 30, 2014, and based on the straight line remaining life method using the average service life procedure for property installed prior to 1992 and the equal life group procedure for property installed subsequent to 1991. The annual depreciation accrual rates for depreciable plant as of September 30, 2014, are set forth in column 8 in Table 2. The annual accrual rate for depreciable plant equals the pro forma annual accrual in column 6 divided by the

original cost in column 3.

For the purpose of calculating the composite remaining life accrual rates as of September 30, 2014, the book reserve for each plant account is allocated among vintages in proportion to the calculated accrued depreciation for the account as of September 30, 2014. Descriptions of the derivation of remaining life accruals at a given point in time for the vintages calculated by the average service life (ASL) procedure and for the vintages calculated by the equal life group (ELG) procedure follow. An example of the calculation is presented on pages 4 through 7.

For vintages prior to 1992, for which the ASL procedure is applicable, the remaining life annual accrual for each vintage is determined by dividing future book accruals (original cost less book reserve) by the average remaining life (expectancy) of the vintage. The average remaining life is derived directly from the estimated survivor curve in accordance with the average service life procedure.

For vintages beginning with 1992, for which the ELG procedure is applicable, the remaining life annual accrual for each vintage is determined by dividing future book accruals (original cost less book reserve) by the composite remaining life for the surviving original cost of that vintage. The composite remaining life is derived by compositing the individual equal life group remaining lives in accordance with the following equation:

$$\text{Composite Remaining Life} = \frac{\sum \left(\frac{\text{Book Cost}}{\text{Life}} \times \text{Remaining Life} \right)}{\sum \frac{\text{Book Cost}}{\text{Life}}}$$

The book costs and lives of the several equal life groups which are summed in the foregoing equation are defined by the estimated survivor curve.

UGI PENN NATURAL GAS, INC.

ACCOUNT 376.2 MAINS - OTHER

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF SEPTEMBER 30, 2014

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUTURE BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 70-R2						
1868	16.79	17	17			
1885	1.79	2	2			
1886	390.36	388	353	37	0.47	79
1892	2,367.76	2,300	2,091	277	2.00	138
1893	1,272.85	1,231	1,119	154	2.28	68
1894	2,174.19	2,095	1,905	269	2.54	106
1895	77.49	74	67	10	2.82	4
1896	935.36	894	813	122	3.10	39
1897	3,189.18	3,036	2,761	428	3.37	127
1898	244.83	232	211	34	3.65	9
1899	1,776.46	1,677	1,525	251	3.93	64
1900	2,565.23	2,411	2,192	373	4.22	88
1901	5,252.45	4,915	4,469	783	4.50	174
1902	2,413.44	2,248	2,044	369	4.79	77
1903	3,722.28	3,452	3,139	583	5.08	115
1904	7,312.62	6,753	6,141	1,172	5.36	219
1905	7,792.89	7,164	6,515	1,278	5.65	226
1906	14,855.60	13,595	12,363	2,493	5.94	420
1907	12,466.60	11,357	10,327	2,140	6.23	343
1908	26,825.37	24,327	22,122	4,703	6.52	721
1909	2,779.35	2,509	2,282	497	6.81	73
1910	18,998.25	17,069	15,522	3,476	7.11	489
1911	32,619.92	29,172	26,527	6,093	7.40	823
1912	22,248.25	19,804	18,009	4,239	7.69	551
1913	6,318.15	5,598	5,091	1,227	7.98	154
1914	3,269.10	2,882	2,621	648	8.28	78
1915	10,767.05	9,449	8,592	2,175	8.57	254
1916	1,364.28	1,191	1,083	281	8.87	32
1917	2,371.67	2,061	1,874	498	9.17	54
1918	937.77	811	737	201	9.47	21
1919	4,813.98	4,141	3,766	1,048	9.78	107
1920	9,110.65	7,799	7,092	2,019	10.08	200
1921	45,588.43	38,815	35,296	10,292	10.40	990
1922	28,901.32	24,479	22,260	6,641	10.71	620
1923	43,788.54	36,889	33,545	10,244	11.03	929
1924	52,641.79	44,099	40,101	12,541	11.36	1,104
1925	61,427.71	51,178	46,539	14,889	11.68	1,275
1926	23,112.52	19,144	17,409	5,704	12.02	475
1927	42,459.82	34,963	31,793	10,667	12.36	863
1928	12,818.01	10,491	9,540	3,278	12.71	258
1929	2,896.98	2,356	2,142	755	13.06	58
1930	129,892.12	104,991	95,473	34,419	13.42	2,565
1931	243,654.39	195,689	177,949	65,705	13.78	4,768

UGI PENN NATURAL GAS, INC.

ACCOUNT 376.2 MAINS - OTHER

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF SEPTEMBER 30, 2014

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUTURE BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 70-R2						
1932	7,156.25	5,709	5,191	1,965	14.16	139
1933	12,627.79	10,005	9,098	3,530	14.54	243
1934	2,768.95	2,178	1,981	788	14.93	53
1935	4,087.52	3,193	2,904	1,184	15.32	77
1936	27,789.39	21,545	19,592	8,197	15.73	521
1937	4,703.45	3,619	3,291	1,412	16.14	87
1938	4,491.12	3,429	3,118	1,373	16.56	83
1939	3,572.45	2,706	2,461	1,111	16.98	65
1940	13,883.38	10,428	9,483	4,400	17.42	253
1941	8,194.87	6,104	5,551	2,644	17.86	148
1942	5,511.03	4,069	3,700	1,811	18.32	99
1943	4,280.77	3,132	2,848	1,433	18.78	76
1944	2,366.07	1,715	1,560	806	19.25	42
1945	2,005.02	1,440	1,309	696	19.72	35
1946	74,831.47	53,227	48,402	26,429	20.21	1,308
1947	15,965.32	11,244	10,225	5,740	20.70	277
1948	8,725.43	6,082	5,531	3,194	21.21	151
1949	23,619.68	16,291	14,814	8,806	21.72	405
1950	14,330.85	9,778	8,892	5,439	22.24	245
1951	20,807.06	14,039	12,766	8,041	22.77	353
1952	294,613.04	196,507	178,693	115,920	23.31	4,973
1953	477,555.41	314,848	286,306	191,249	23.85	8,019
1954	11,366.44	7,403	6,732	4,634	24.41	190
1955	126,975.88	81,682	74,277	52,699	24.97	2,110
1956	635,028.42	403,332	366,769	268,259	25.54	10,503
1957	1,701,241.91	1,066,441	969,765	731,477	26.12	28,004
1958	214,123.16	132,450	120,443	93,680	26.70	3,509
1959	1,191,138.64	726,595	660,727	530,412	27.30	19,429
1960	700,120.58	421,074	382,902	317,219	27.90	11,370
1961	1,494,918.56	886,053	805,730	689,189	28.51	24,174
1962	1,074,279.99	627,229	570,369	503,911	29.13	17,299
1963	1,914,119.54	1,100,351	1,000,601	913,519	29.76	30,696
1964	3,100,256.80	1,754,311	1,595,277	1,504,980	30.39	49,522
1965	2,367,850.09	1,318,206	1,198,707	1,169,143	31.03	37,678
1966	2,216,249.16	1,213,241	1,103,257	1,112,992	31.68	35,132
1967	2,350,233.58	1,264,755	1,150,101	1,200,133	32.33	37,121
1968	3,434,442.51	1,815,343	1,650,777	1,783,666	33.00	54,050
1969	3,260,352.53	1,692,123	1,538,727	1,721,626	33.67	51,132
1970	2,529,543.66	1,288,625	1,171,807	1,357,737	34.34	39,538
1971	2,340,917.40	1,169,452	1,063,438	1,277,479	35.03	36,468
1972	3,535,984.06	1,731,607	1,574,632	1,961,352	35.72	54,909
1973	1,340,593.04	643,297	584,980	755,613	36.41	20,753
1974	581,865.86	273,308	248,532	333,334	37.12	8,980

UGI PENN NATURAL GAS, INC.

ACCOUNT 376.2 MAINS - OTHER

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF SEPTEMBER 30, 2014

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUTURE BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 70-R2						
1975	649,627.47	298,549	271,485	378,142	37.83	9,996
1976	429,431.18	192,999	175,503	253,928	38.54	6,589
1977	613,253.62	269,218	244,813	368,441	39.27	9,382
1978	596,213.30	255,519	232,355	363,858	40.00	9,096
1979	1,015,825.10	424,757	386,251	629,574	40.73	15,457
1980	1,099,118.10	447,968	407,358	691,760	41.47	16,681
1981	3,057,727.26	1,213,490	1,103,483	1,954,244	42.22	46,287
1982	4,837,125.69	1,867,808	1,698,486	3,138,640	42.97	73,043
1983	858,541.96	322,202	292,993	565,549	43.73	12,933
1984	1,911,865.72	696,474	633,337	1,278,529	44.50	28,731
1985	1,852,948.23	654,628	595,284	1,257,664	45.27	27,781
1986	1,727,443.57	591,028	537,450	1,189,994	46.05	25,841
1987	2,024,987.44	670,271	609,509	1,415,478	46.83	30,226
1988	1,974,847.41	631,378	574,142	1,400,705	47.62	29,414
1989	1,603,311.75	494,509	449,680	1,153,632	48.41	23,830
1990	1,301,253.54	386,472	351,437	949,817	49.21	19,301
1991	836,294.01	238,820	217,170	619,124	50.01	12,380
1992	2,823,379.39	979,995	891,155	1,932,224	41.85	46,170
1993	868,087.35	289,594	263,341	604,746	42.45	14,246
1994	1,548,846.74	495,631	450,701	1,098,146	43.04	25,515
1995	1,264,499.63	387,063	351,975	912,525	43.64	20,910
1996	8,979,351.36	2,621,971	2,384,281	6,595,070	44.25	149,041
1997	7,813,296.45	2,169,752	1,973,057	5,840,239	44.86	130,188
1998	3,552,589.86	941,081	855,769	2,696,821	45.10	59,796
1999	483,360.20	121,565	110,545	372,815	45.64	8,169
2000	8,140,250.30	1,958,544	1,780,996	6,359,254	46.02	138,185
2001	2,169,662.71	495,117	450,233	1,719,430	46.49	36,985
2002	5,047,637.11	1,081,204	983,190	4,064,447	46.77	86,903
2003	1,743,940.56	346,347	314,950	1,428,991	47.42	30,135
2004	2,022,654.77	363,269	330,337	1,692,318	47.98	35,271
2005	2,726,422.57	436,228	396,683	2,329,740	48.55	47,986
2006	1,217,319.42	178,459	162,281	1,055,038	48.77	21,633
2007	917,132.65	121,795	110,754	806,379	48.99	16,460
2008	2,765,592.79	321,915	292,732	2,472,861	49.36	50,098
2009	646,433.32	64,708	58,842	587,591	49.45	11,883
2010	2,404,170.33	200,027	181,894	2,222,276	49.56	44,840
2011	1,324,432.87	87,677	79,729	1,244,704	49.41	25,191

UGI PENN NATURAL GAS, INC.

ACCOUNT 376.2 MAINS - OTHER

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF SEPTEMBER 30, 2014

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUTURE BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 70-R2						
2012	2,656,873.79	128,858	117,177	2,539,697	49.05	51,778
2013	4,756,018.49	143,632	130,611	4,625,407	48.25	95,863
2014	14,589,014.29	160,479	145,931	14,443,083	44.95	321,314
	144,904,704.02	44,822,915	40,759,585	104,145,119		2,475,505
COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PERCENT ..						42.1 1.71

Inasmuch as book cost divided by life equals the whole life annual accrual, the foregoing equation reduces to the following form:

$$\text{Composite Remaining Life} = \frac{\sum \text{Whole Life Future Accruals}}{\sum \text{Whole Life Annual Accruals}}$$

or

$$\text{Composite Remaining Life} = \frac{\sum (\text{Book Cost} - \text{Calc. Reserve})}{\sum \text{Whole Life Annual Accrual.}}$$

The composite remaining life calculations were made using computer software that utilizes detailed ELG calculations of whole life future accruals and annual accruals in order to derive the vintage composite remaining lives for the ELG vintages.

The annual accrual rate for each account is equal to the sum of the remaining life annual accruals divided by the total original cost. The composite remaining life is calculated by dividing the sum of the future book accruals by the sum of the remaining life annual accruals.

2014 PLANT AND RESERVE ACTIVITY

Tables 3 and 4 present summaries by account of the plant and reserve activity for fiscal year 2014. Table 3 sets forth the original cost as of October 1, 2013, the beginning of the fiscal year; additions; retirements; transfers or adjustments; the balance at the end of the year, September 30, 2014; and the retirements expressed as a percent of the beginning plant balance.

Table 4 sets forth the book depreciation reserve balance at the beginning of the year, October 1, 2013; annual accruals; retirements; gross salvage; cost of removal; transfers or adjustments; the balance at the end of the year, September 30,

2014; and the book reserve as a percent of the plant balance as of September 30, 2014.

There were no extraordinary events occurring in the past year which significantly affected the amount of UGI-PNG's depreciation reserve or annual depreciation expense. As a result, there were no proposed changes to the depreciation methods or parameters. The 2014 plant and reserve activity for each plant account are within the ranges typically experienced in each account.

AMORTIZATION OF NET SALVAGE

The amortization amount for net salvage for fiscal year 2015 is \$1,422,952 for gas plant based on net salvage experienced during the five-year period, October 1, 2009 through September 30, 2014. The calculation of the amortization amount by plant account is set forth in Table 5. The tabulation sets forth the gross salvage, cost of removal, net salvage and the amortization amount which is one-fifth of the total negative net salvage for the five-year period.

The data in Table 5 for the years 2010 through 2013 are the same as the data that were submitted with last year's Annual Depreciation Report in March of 2014. There were no exclusions from the 2014 net salvage experience used in the determination of the 2015 net salvage amortization amounts.

The exclusion or inclusion of gross salvage related to a retirement is largely driven by the extent to which the asset or group of assets has lived its full life and had the opportunity for complete recovery of the original cost. In the case of vehicles, an account that typically experiences salvage, the salvage is included in the five-year net salvage amortization because the presumption is that the vehicle

has lived a life contemplated by the survivor curve estimate allowing for full recovery under the ELG or ASL procedure.

In the case of the sale of utility property for continued use in utility operations, the life of the facility is not over and the recovery of cost is not complete. Thus, the salvage proceeds are required to make the company whole and are excluded from the five-year net salvage amortization since it represents the recovery of original cost.

UGI PENN NATURAL GAS, INC.

TABLE 1. ORIGINAL COST, BOOK RESERVE AND CALCULATED ANNUAL DEPRECIATION ACCRUALS BY FUNCTION RELATED TO GAS PLANT AT SEPTEMBER 30, 2012, SEPTEMBER 30, 2013 AND SEPTEMBER 30, 2014

	<u>2012</u>	<u>2013</u>	<u>2014</u>
DISTRIBUTION PLANT			
ORIGINAL COST (DEPRECIABLE)	570,674,367	590,594,019	637,548,565
BOOK ACCRUED DEPRECIATION	203,787,907	214,908,158	226,114,978
BOOK RESERVE % OF O.C.	35.71%	36.39%	35.47%
ORIGINAL COST DEPRECIATED	366,886,460	375,685,861	411,433,587
ANNUAL DEPRECIATION EXPENSE	12,096,119	12,439,828	13,581,407
ANNUAL % OF O.C.	2.12%	2.11%	2.13%
GENERAL PLANT			
ORIGINAL COST (DEPRECIABLE)	39,315,924	37,581,084	37,951,650
BOOK ACCRUED DEPRECIATION	20,219,064	20,197,629	20,815,934
BOOK RESERVE % OF O.C.	51.43%	53.74%	54.85%
ORIGINAL COST DEPRECIATED	19,096,860	17,383,455	17,135,716
ANNUAL DEPRECIATION EXPENSE	1,854,015	1,682,995	1,653,493
ANNUAL % OF O.C.	4.72%	4.48%	4.36%
TOTAL COMPANY (DEPRECIABLE)			
ORIGINAL COST (DEPRECIABLE)	609,990,291	628,175,103	675,500,215
BOOK ACCRUED DEPRECIATION *	224,006,971	235,105,787	246,930,912
BOOK RESERVE % OF O.C.	36.72%	37.43%	36.56%
ORIGINAL COST DEPRECIATED	385,983,320	393,069,316	428,569,303
ANNUAL DEPRECIATION EXPENSE	13,950,134	14,122,823	15,234,900
ANNUAL % OF O.C.	2.29%	2.25%	2.26%
NONDEPRECIABLE PLANT			
INTANGIBLES	95,660	95,660	95,660
LAND AND LAND RIGHTS	3,179,668	3,179,668	4,151,986
TOTAL GAS PLANT	<u>613,265,619</u>	<u>631,450,431</u>	<u>679,747,861</u>

UGI PENN NATURAL GAS, INC.

TABLE 2. ESTIMATED SURVIVOR CURVES, ORIGINAL COST, BOOK RESERVE AND CALCULATED ANNUAL DEPRECIATION ACCRUALS RELATED TO GAS PLANT AT SEPTEMBER 30, 2014

ACCOUNT (1)	SURVIVOR CURVE (2)	ORIGINAL COST (3)	BOOK RESERVE (4)	FUTURE ACCRUALS (5)	ANNUAL ACCRUAL AMOUNT (6)	COMPOSITE REMAINING LIFE (7)	ANNUAL ACCRUAL RATE PERCENT (8)	
GAS PLANT								
DISTRIBUTION PLANT								
375	STRUCTURES AND IMPROVEMENTS	45 - S0.5	2,592,048	1,046,777	1,545,271	55,366	27.9	2.14
376.1	MAINS - PLASTIC	60 - R3	172,940,641	50,258,214	122,682,427	2,988,056	41.1	1.73
376.2	MAINS - OTHER	70 - R2	144,904,704	40,759,585	104,145,119	2,475,505	42.1	1.71
378	MEASURING AND REGULATING EQUIPMENT - GENERAL	39 - S0	17,225,316	6,446,952	10,778,364	503,572	21.4	2.92
379	MEASURING AND REGULATING EQUIPMENT - CITY GATE	40 - R2	17,451,488	2,460,242	14,991,226	601,953	24.9	3.45
380.1	SERVICES - PLASTIC	42 - R3	197,417,508	79,437,359	117,980,149	4,476,676	26.4	2.27
380.2	SERVICES - OTHER	48 - R1	17,808,477	9,606,168	8,202,309	352,409	23.3	1.98
381	METERS	35 - S1.5	44,236,679	21,326,867	22,909,812	1,239,367	18.5	2.80
381.1	METERS - AMR	15 - R3	10,956,157	6,973,295	3,982,862	682,905	5.8	6.23
383	HOUSE REGULATORS	42 - R3	2,815,101	1,649,778	1,165,323	48,665	23.9	1.73
384	HOUSE REGULATOR INSTALLATIONS	42 - R3	3,454,909	2,053,614	1,401,295	53,074	26.4	1.54
385	INDUSTRIAL MEASURING AND REGULATING EQUIPMENT	35 - R3	5,628,241	4,037,207	1,591,034	99,795	15.9	1.77
387	OTHER DISTRIBUTION EQUIPMENT	26 - L2	117,316	58,920	58,396	4,064	14.4	3.46
TOTAL DISTRIBUTION PLANT			637,548,565	226,114,978	411,433,587	13,581,407		2.13
GENERAL PLANT								
390	STRUCTURES AND IMPROVEMENTS	VARIOUS *	20,083,919	7,789,615	12,294,304	571,620	21.5	2.85
391.1	OFFICE FURNITURE	20 - SQ	732,747	509,868	222,879	54,264	4.1	7.41
391.2	OFFICE EQUIPMENT	10 - SQ	115,312	15,363	99,949	32,206	3.1	27.93
391.3	COMPUTER EQUIPMENT	5 - SQ	762,519	458,707	303,812	200,340	1.5	26.27
391.41	COMPUTER SOFTWARE - GENERAL	5 - SQ	139,636	94,137	45,499	72,815	0.6	**
391.42	COMPUTER SOFTWARE - ORACLE	10 - SQ	3,295,776	2,554,227	741,549	296,620	2.5	**
392	TRANSPORTATION EQUIPMENT	10 - L3	4,234,986	4,295,437	(60,451)	0	-	-
393	STORES EQUIPMENT	20 - SQ	1,768	952	816	86	9.5	4.86
394	TOOLS, SHOP AND GARAGE EQUIPMENT	20 - SQ	5,032,548	2,235,438	2,797,110	313,357	8.9	6.23
396	POWER OPERATED EQUIPMENT	14 - L3	1,548,313	1,376,738	171,575	37,162	4.6	2.40
397	COMMUNICATION EQUIPMENT	9 - L2	363,490	359,417	4,073	1,034	3.9	0.28
397.1	TELEPHONE SYSTEMS	9 - L2	926,758	851,346	75,412	23,288	3.2	2.51
398	MISCELLANEOUS EQUIPMENT	15 - SQ	713,878	274,689	439,189	50,701	8.7	7.10
TOTAL GENERAL PLANT			37,951,650	20,815,934	17,135,716	1,653,493		4.36
TOTAL DEPRECIABLE GAS PLANT			675,500,215	246,930,912	428,569,303	15,234,900		2.26
NONDEPRECIABLE PLANT								
301	ORGANIZATION		86,238					
302	FRANCHISE & CONSENTS		9,422					
374.1	LAND		301,214					
374.2	LAND RIGHTS		3,080,742					
389.1	LAND		770,030					
TOTAL NONDEPRECIABLE PLANT			4,247,646					
TOTAL GAS PLANT			679,747,861					

* SURVIVOR CURVES FOR ACCOUNT 390.1 ARE INTERIM SURVIVOR CURVES. INDIVIDUAL BUILDINGS ARE LIFE SPANNED.

** ASSETS IN ACCOUNTS 391.41 AND 391.42 ARE INDIVIDUALLY DEPRECIATED BASED ON THE SERVICE LIVES SHOWN IN THIS REPORT.

UGI PENN NATURAL GAS, INC.

TABLE 3. SUMMARY OF PLANT IN SERVICE ACTIVITY FOR THE YEAR ENDED SEPTEMBER 30, 2014

ACCOUNT	BALANCE AT BEGINNING OF YEAR	ADDITIONS	RETIREMENTS	TRANSFERS AND ADJUSTMENTS	BALANCE AT END OF YEAR	PERCENT OF ORIGINAL COST RETIRED
(1)	(2)	(3)	(4)	(5)	(6)	(7)
GAS PLANT						
DEPRECIABLE PLANT						
375 STRUCTURES AND IMPROVEMENTS	1,472,682	1,119,366	0	0	2,592,048	0.00
376.1 MAINS - PLASTIC	164,834,395	8,188,296	(85,331)	3,281	172,940,641	0.05
376.2 MAINS - OTHER	130,104,322	15,169,044	(368,662)	0	144,904,704	0.28
378 MEASURING AND REGULATING EQUIPMENT - GENERAL	14,649,937	2,705,512	(130,133)	0	17,225,316	0.89
379 MEASURING AND REGULATING EQUIPMENT - CITY GATE	8,408,113	9,169,452	(126,097)	0	17,451,468	1.50
380.1 SERVICES - PLASTIC	187,746,999	10,031,692	(357,902)	(3,281)	197,417,508	0.19
380.2 SERVICES - OTHER	17,200,897	734,704	(127,124)	0	17,808,477	0.74
381 METERS	43,393,740	904,929	(61,990)	0	44,236,679	0.14
381.1 METERS - AMR	10,948,879	7,278	0	0	10,956,157	0.00
383 HOUSE REGULATORS	2,815,101	0	0	0	2,815,101	0.00
384 HOUSE REGULATOR INSTALLATIONS	3,343,232	111,677	0	0	3,454,909	0.00
385 INDUSTRIAL MEASURING AND REGULATING EQUIPMENT	5,558,406	69,835	0	0	5,628,241	0.00
387 OTHER DISTRIBUTION EQUIPMENT	117,316	0	0	0	117,316	0.00
390 STRUCTURES AND IMPROVEMENTS	18,945,319	1,163,530	(24,930)	0	20,083,919	0.13
391.1 OFFICE FURNITURE	750,120	0	(17,373)	0	732,747	2.32
391.2 OFFICE EQUIPMENT	115,312	0	0	0	115,312	0.00
391.3 COMPUTER EQUIPMENT	891,757	7,392	(205,711)	69,081	762,519	23.07
391.41 COMPUTER SOFTWARE - GENERAL	140,416	1	(781)	0	139,636	0.56
391.42 COMPUTER SOFTWARE - ORACLE	3,295,776	0	0	0	3,295,776	0.00
392 TRANSPORTATION EQUIPMENT	5,027,843	0	(792,857)	0	4,234,986	15.77
393 STORES EQUIPMENT	1,768	0	0	0	1,768	0.00
394 TOOLS, SHOP AND GARAGE EQUIPMENT	4,795,046	438,795	(201,293)	0	5,032,548	4.20
396 POWER OPERATED EQUIPMENT	1,613,601	1	(65,289)	0	1,548,313	4.05
397 COMMUNICATION EQUIPMENT	363,490	0	0	0	363,490	0.00
397.1 TELEPHONE SYSTEMS	926,758	0	0	0	926,758	0.00
398 MISCELLANEOUS EQUIPMENT	713,878	0	0	0	713,878	0.00
TOTAL DEPRECIABLE PLANT	628,175,103	49,821,504	(2,565,473)	69,081	675,500,215	0.41
NONDEPRECIABLE PLANT						
301 ORGANIZATION	86,238	0	0	0	86,238	0.00
302 FRANCHISE & CONSENTS	9,422	0	0	0	9,422	0.00
374.1 LAND	301,214	0	0	0	301,214	0.00
374.2 LAND RIGHTS	2,108,424	972,318	0	0	3,080,742	0.00
389.1 LAND	770,030	0	0	0	770,030	0.00
TOTAL NONDEPRECIABLE PLANT	3,275,328	972,318	0	0	4,247,646	0.00
TOTAL GAS PLANT	631,450,431	50,793,822	(2,565,473)	69,081	679,747,861	0.41

UGI PENN NATURAL GAS, INC.

TABLE 4. SUMMARY OF BOOK RESERVE ACTIVITY FOR THE YEAR ENDED SEPTEMBER 30, 2014

ACCOUNT (1)	BOOK RESERVE AT BEGINNING OF YEAR (2)	ANNUAL ACCRUAL (3)	AMORTIZATION OF NET SALVAGE (4)	RETIREMENTS (5)	GROSS SALVAGE (6)	COST OF REMOVAL (7)	TRANSFERS AND ADJUSTMENTS (8)	BOOK RESERVE AT END OF YEAR (9)	BOOK RESERVE AS A PERCENT OF ORIGINAL COST (10)
DEPRECIABLE GAS PLANT									
305 MANUFACTURED GAS PLANT REMEDIATION	3	0		0	0	0	(3)	0	
375 STRUCTURES AND IMPROVEMENTS	1,013,705	33,072	0	0	0	0	0	1,046,777	40.38
376.1 MAINS - PLASTIC	47,433,195	2,933,680	16,489	(85,331)	0	(39,822)	3	50,258,214	29.06
376.2 MAINS - OTHER	38,946,211	2,305,360	380,168	(368,662)	0	(503,492)	0	40,759,585	28.13
378 MEASURING AND REGULATING EQUIPMENT - GENERAL	6,135,462	454,266	18,794	(130,133)	26,430	(55,867)	0	6,446,952	37.43
379 MEASURING AND REGULATING EQUIPMENT - CITY GATE	2,036,497	541,417	18,214	(126,097)	0	(9,789)	0	2,460,242	14.10
380.1 SERVICES - PLASTIC	75,563,730	4,320,626	608,672	(357,902)	0	(697,767)	0	79,437,359	40.24
380.2 SERVICES - OTHER	9,880,366	310,692	221,397	(127,124)	0	(679,163)	0	9,606,168	53.94
381 METERS	20,121,093	1,266,747	1,017	(61,990)	0	0	0	21,326,867	48.21
381.1 METERS - AMR	6,202,477	764,718	6,100	0	0	0	0	6,973,295	63.65
383 HOUSE REGULATORS	1,596,446	49,687	3,645	0	0	0	0	1,649,778	58.60
384 HOUSE REGULATOR INSTALLATIONS	2,002,991	50,623	0	0	0	0	0	2,053,614	59.44
385 INDUSTRIAL MEASURING AND REGULATING EQUIPMENT	3,921,482	109,000	6,725	0	0	0	0	4,037,207	71.73
387 OTHER DISTRIBUTION EQUIPMENT	54,503	4,417	0	0	0	0	0	58,920	50.22
390 STRUCTURES AND IMPROVEMENTS	7,251,770	510,413	65,645	(24,930)	0	(13,283)	0	7,789,615	38.79
391.1 OFFICE FURNITURE	460,056	67,185	0	(17,373)	0	0	0	509,868	69.58
391.2 OFFICE EQUIPMENT	(16,594)	32,027	(70)	0	0	0	0	15,363	13.32
391.3 COMPUTER EQUIPMENT	446,069	218,349	0	(205,711)	0	0	0	458,707	60.16
391.41 COMPUTER SOFTWARE - GENERAL	40,780	54,138	0	(781)	0	0	0	94,137	67.42
391.42 COMPUTER SOFTWARE - ORACLE	2,224,649	329,576	0	0	0	0	0	2,554,227	77.50
392 TRANSPORTATION EQUIPMENT	4,907,551	71,613	(46,803)	(792,857)	155,933	0	0	4,295,437	101.43
393 STORES EQUIPMENT	810	142	0	0	0	0	0	952	53.84
394 TOOLS, SHOP AND GARAGE EQUIPMENT	2,099,074	337,657	0	(201,293)	0	0	0	2,235,438	44.42
396 POWER OPERATED EQUIPMENT	1,394,587	47,440	0	(65,289)	0	0	0	1,376,738	88.92
397 COMMUNICATION EQUIPMENT	358,072	1,345	0	0	0	0	0	359,417	98.88
397.1 TELEPHONE SYSTEMS	811,727	39,619	0	0	0	0	0	851,346	91.86
398 MISCELLANEOUS EQUIPMENT	219,078	55,611	0	0	0	0	0	274,689	38.48
TOTAL DEPRECIABLE GAS PLANT	235,105,790	14,909,422	1,297,993	(2,565,473)	182,363	(1,999,183)	0	246,930,912	36.56

UGI PENN NATURAL GAS, INC.

TABLE 5. CALCULATION OF NET SALVAGE ACCRUAL FOR THE YEAR 2015

ACCOUNT (1)	2010		2011		2012		2013		2014		FIVE YEAR NET SALVAGE TOTAL (12)	NET SALVAGE ACCRUAL (13)=(12)/5
	GROSS SALVAGE (2)	COST OF REMOVAL (3)	GROSS SALVAGE (4)	COST OF REMOVAL (5)	GROSS SALVAGE (6)	COST OF REMOVAL (7)	GROSS SALVAGE (8)	COST OF REMOVAL (9)	GROSS SALVAGE (10)	COST OF REMOVAL (11)		
DEPRECIABLE GAS PLANT												
305 MANUFACTURED GAS PLANT REMEDIATION	0	0	0	0	0	0	0	0	0	0	0	0
375 STRUCTURES AND IMPROVEMENTS	0	0	0	0	0	0	0	0	0	0	0	0
376.1 MAINS - PLASTIC	0	19,738	0	5,976	0	16,723	0	27,114	0	39,822	109,373	21,875
376.2 MAINS - OTHER	0	411,946	0	190,395	0	543,278	0	473,858	0	503,492	2,122,968	424,594
378 MEASURING & REGULATING EQUIPMENT - GENERAL	0	7,349	0	27,258	(18,148)	48,077	(18,702)	17,516	(26,430)	55,867	92,788	18,558
379 MEASURING & REGULATING EQUIPMENT - CITY GATE	0	0	0	0	0	58,285	0	3,783	0	9,789	71,836	14,367
380.1 SERVICES - PLASTIC	0	521,443	0	552,009	0	616,956	0	788,886	0	697,767	3,177,061	635,412
380.2 SERVICES - OTHER	0	238,393	0	177,833	0	158,310	0	262,187	0	679,163	1,515,865	303,173
381 METERS	0	0	0	0	0	0	0	0	0	0	0	0
381.1 METERS - AMR	0	7,437	0	0	0	13,975	0	398	0	0	21,810	4,362
383 HOUSE REGULATORS	0	0	0	0	0	18,223	0	0	0	0	18,223	3,645
384 HOUSE REGULATOR INSTALLATIONS	0	0	0	0	0	0	0	0	0	0	0	0
385 INDUSTRIAL MEASURING & REGULATING EQUIPMENT	0	12,317	0	10,583	0	10,580	0	145	0	0	33,625	6,725
387 OTHER DISTRIBUTION EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0
390 STRUCTURES AND IMPROVEMENTS	0	295,158	0	33,066	0	0	0	0	0	13,283	341,507	68,301
391.1 OFFICE FURNITURE	0	0	0	0	0	0	0	0	0	0	0	0
391.2 OFFICE EQUIPMENT	(1,000)	412	0	236	0	0	0	0	0	0	(351)	(70)
391.3 COMPUTER EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0
391.41 COMPUTER SOFTWARE - GENERAL	0	0	0	0	0	0	0	0	0	0	0	0
391.42 COMPUTER SOFTWARE - ORACLE	0	0	0	0	0	0	0	0	0	0	0	0
392 TRANSPORTATION EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0
393 STORES EQUIPMENT	0	0	0	0	0	0	(234,012)	0	(155,933)	0	(389,945)	(77,989)
394 TOOLS, SHOP AND GARAGE EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0
396 POWER OPERATED EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0
397 COMMUNICATION EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0
397.1 TELEPHONE SYSTEMS	0	0	0	0	0	0	0	0	0	0	0	0
398 MISCELLANEOUS EQUIPMENT	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL DEPRECIABLE GAS PLANT	(1,000)	1,514,194	0	997,357	(18,148)	1,484,405	(252,714)	1,573,846	(182,363)	1,999,183	7,114,760	1,422,952