

UGI UTILITIES, INC.
PRINCIPLES OF CORPORATE GOVERNANCE

The business of UGI Utilities, Inc. is managed under the direction of the Board of Directors. As part of its duties, the Board oversees the corporate governance of the Company for the purpose of creating long-term value for its shareholders and safeguarding its commitment to its other stakeholders: our employees, our customers, our suppliers and creditors, and the communities in which we do business. To accomplish this purpose, the Board considers the interests of the Company's stakeholders when, together with management, it sets the strategies and objectives of the Company. The Board also evaluates management's performance in pursuing those strategies and achieving those objectives. In carrying out its responsibilities, the Board will:

- review and approve the Company's strategies and objectives and monitor the execution of those strategies and the achievement of those objectives;
- evaluate the performance, and approve the compensation, of the Chief Executive Officer;
- review the evaluation of the performance, and approve the compensation, of senior management;
- review and evaluate plans for management succession;
- advise and counsel management generally;
- monitor the adequacy of and compliance with policies governing ethical conduct and adherence to legal and regulatory standards; and
- organize and monitor the structure and operations of the Board of Directors, assess its performance and set the compensation of Board members.

In carrying out these functions, the Board may work through its Committees, through individual Directors, through management and through outside advisors. The Board has adopted the following principles to guide it in the performance of these duties. These principles are reviewed periodically by the Board and revised as necessary to ensure their continuing relevance and effectiveness.

Approve Strategies and Objectives

- Each year, the Board reviews the strategies and objectives of the Company and, if acceptable, approves the Company's proposed Budget and Three Year Plan.
- Throughout the fiscal year, the Board monitors management's performance in executing the strategies and achieving the objectives defined in the Budget and Three Year Plan and any changes thereto made during the year.

- Each year, the non-management Directors meet without management present to evaluate the strategies and objectives of the Company and management's performance in pursuing those strategies and objectives. The evaluation by the non-management Directors is communicated to the Chief Executive Officer by the Presiding Director at a meeting of the Board.
- In carrying out its responsibilities to monitor the strategies and objectives of the Company, the Board exercises the authority to approve all material transactions not undertaken in the ordinary course of business and to adopt appropriate delegations of authority from time to time.

Evaluate the Chief Executive Officer

- Following approval of the Company's proposed Budget and Three Year Plan, the Chief Executive Officer submits to the Board goals and objectives for his or her leadership of the Company for the ensuing year. The Board discusses these goals and objectives with the Chief Executive Officer and makes such revisions thereto as the Board considers appropriate.
- Following the end of each fiscal year, the Chair of the Compensation and Management Development Committee leads a discussion of the Committee and thereafter of the Board of Directors for the purpose of evaluating the performance of the Chief Executive Officer in pursuing (i) the goals and objectives set forth in the Budget and Three Year Plan for the year then ended and (ii) the goals and objectives for his or her leadership for the year then ended as agreed upon with the Board.
- In connection with the Board's evaluation of the Chief Executive Officer's performance, the Compensation and Management Development Committee provides the Board with its analysis and recommendation regarding the annual compensation of the Chief Executive Officer. The Board discusses the recommendation of the Committee and then the Committee (either acting as a committee or together with the other independent directors) determines and approves the annual compensation of the Chief Executive Officer for the succeeding year.

Evaluate Senior Management

- In consultation with outside consultants as necessary, the Compensation and Management Development Committee annually reviews and approves general compensation guidelines for senior management, including proposed salary ranges and merit increase guidelines.
- In consultation with outside consultants as necessary, the Compensation and Management Development Committee approves actual salaries and bonus payments for members of senior management and receives a report from management on salaries and bonus payments for other executives and managers; approves any changes in the salary grades and bonus levels for senior management and receives a report from management on such changes for other executives and managers; and approves targets for payments under the annual bonus plan and for awards under long-term incentive plans.

- In consultation with outside consultants as necessary, the Compensation and Management Development Committee periodically reviews compensation plans for senior management and other management employees, comparing such plans to those of the Company's peer groups and ensuring that appropriate levels of incentives are provided to management and that management's objectives are aligned with the interests of stakeholders.
- The Compensation and Management Development Committee reports to the Board on its findings in each of the foregoing areas, making recommendations for action as appropriate. The Board discusses the recommendations of the Committee and then determines the annual compensation of senior management for the succeeding year and approves such other recommendations of the Committee as it deems appropriate.

Review Succession Planning

- In consultation with the Compensation and Management Development Committee and the Chief Executive Officer, the Board establishes the succession plan for the Chair of the Board and the Chief Executive Officer. Each year, the Board reviews this succession plan and updates it as appropriate.
- The Compensation and Management Development Committee reviews the succession plan for each member of senior management as proposed each year by the Chief Executive Officer. To assist the Compensation and Management Development Committee with this task, the Chief Executive Officer provides the Committee with her/his evaluation of each member of senior management and each member of that group meets with the Committee to review the succession plan for her/his immediate subordinates.
- The Chair of the Compensation and Management Development Committee leads a discussion by the Board of the succession plan for senior management.

Advise and Counsel Management

- Providing advice and counsel to management is one of the Board's primary responsibilities. In order to perform this function, it is the duty of the Board to become and remain familiar with the operations and financial affairs of the Company as well as the economic, competitive, legal and regulatory environment within which the Company and its business units operate.
- It is the intention of the Board to recruit and retain Directors who have the ability and commitment to provide valuable leadership and guidance to the Company and its management and who meet qualifications described below in the section entitled *Select and Evaluate Board Candidates*.
- The Board advises and counsels management through attendance at regularly scheduled meetings to which members of management are invited as well as through individual contacts with the Chief Executive Officer and other members of management.

- The information and resources required by the Board for decision-making and continuing education are generally available within the Company and the Board has full access to the Chief Executive Officer and other members of management.
- On those occasions when the Board believes it prudent to do so, the Board may seek expert advice from sources independent of management. Except in unusual circumstances, the Board will seek such outside assistance with the advice of the Chief Executive Officer.

Monitor Policies on Corporate Governance and Conduct

- In consultation with the Corporate Governance Committee, the Board maintains, periodically reviews and modifies as necessary these Principles of Corporate Governance.
- Acting through its Committees and management as appropriate, the Board ensures that the Company has appropriate disclosure controls and procedures for the reporting of information in compliance with law and appropriate internal controls and procedures for financial reporting, for the safeguarding and control of assets and for assuring that transactions are executed in accordance with management's authority.
- Management maintains a code of conduct governing the Chief Executive Officer, the Chief Financial Officer and senior financial officers. Management periodically reviews this code of conduct and may recommend modifications or waivers to the Board (or the Audit Committee thereof) for approval as it deems appropriate. Acting through its Audit Committee as appropriate, the Board reviews and modifies the code of conduct as necessary. Modifications or waivers of the code of conduct may be made only by the Audit Committee or the independent members of the Board. Any such modifications or waivers will be disclosed publicly if required by law.
- Management maintains a code of conduct governing Directors and employees generally and addressing such subjects as conflicts of interest, fair dealing, confidentiality of Company information, compliance with laws, procedures for reporting violations and any other matters required to be covered by law, regulation or the listing standards of the New York Stock Exchange. Management periodically reviews this code of conduct and may recommend modifications or waivers to the Board (or the Corporate Governance Committee thereof) for approval as it deems appropriate. Acting through its Corporate Governance Committee as appropriate, the Board reviews and modifies the code of conduct as necessary. Modifications or waivers of the code of conduct for executive officers and directors may be made only by the Corporate Governance Committee. Any such modifications or waivers will be disclosed publicly if required by law.
- Management maintains, periodically reviews and modifies as necessary systems and procedures to ensure compliance by Directors and employees with these Principles of Corporate Governance and the Company's codes of conduct. At least annually, management reports to the Board or to Committees of the Board designated by the Board for that purpose on the effectiveness of those systems and procedures, on the degree to

which Directors and employees have complied with these Principles of Corporate Governance and the codes of conduct and on any actions taken to ensure compliance since the last periodic report. Any violation of these Principles of Corporate Governance or the Company's codes of conduct by the Board or management, and all material violations by other employees, will be reported to the Board at the time the violation occurs or promptly after it is discovered. In assessing the degree of compliance and the effectiveness of actions taken to ensure compliance, the Board (or the appropriate Committee) may seek the advice of the Company's Internal Audit Department and its independent public accountants and may consult with outside advisors as necessary.

- In the event of a significant restatement of the Company's financial results, the Board, or an independent committee of the Board, will review the incentive compensation that was paid or awarded with respect to the period to which the restatement relates to the Company's current and former executive officers who engaged in fraud or other misconduct that resulted in the restatement. To the extent permitted by applicable law and as the Board in its sole discretion deems appropriate and in the best interests of the Company, the Board may seek the recoupment or forfeiture of any incentive-based compensation in excess of the amount that would have been paid or awarded to the executive officer under the Company's restated financial statements.

Establish Composition, Structure and Operations of the Board

Select and Evaluate Board Candidates

Assess Structure, Operations and Performance of the Board

- The Board seeks candidates for membership based on their independence, knowledge, judgment, character, leadership skills, education, experience, financial literacy, standing in the community and ability to foster a diversity of backgrounds and views and to complement the Board's existing strengths. In selecting candidates for membership, the Board takes into consideration the recommendations of the New York Stock Exchange concerning the ability of Directors to serve on the boards and committees of multiple public companies.
- In consultation with the Chief Executive Officer, the Corporate Governance Committee evaluates and recommends candidates for membership on the Board, on the Committees of the Board, and for the position of Presiding Director. In fulfilling this responsibility with respect to Board membership, the Committee obtains the opinion of the General Counsel of the Company that there is no reason to believe that the candidate for membership on the Board is not independent within the meaning of applicable laws and the Listing Standards of the New York Stock Exchange.
- The Board considers the evaluations and recommendations of the Corporate Governance Committee concerning candidates for membership on the Board. Subject to the Board determining that the independence requirement set forth below is satisfied, the Board nominates those candidates it approves to stand for election to the Board at the annual meeting of shareholders or elects such candidates to the Board in the case of interim appointments.

- Each year, in consultation with the Chief Executive Officer, the Corporate Governance Committee conducts an assessment of the Board's structure and operations during the past year. This assessment is communicated to the Board in order to assist the Board in considering candidates for Board membership and changes in its structure and operations.
- At regular intervals, and at least annually, in consultation with the Chief Executive Officer and such outside advisors as it deems appropriate, the Corporate Governance Committee conducts an assessment of the Board's performance since the last assessment. This assessment is communicated to the non-management Directors in order to assist the Board in considering candidates for Board and Committee membership and changes in the conduct of its operations.

Establish Board Structure

- The Board consists principally of independent Directors. The primary basis for the Board's determination of a Director's (or Director candidate's) independence will be the applicable Listing Standards of the New York Stock Exchange, as amended from time to time. In making its determinations of independence, the Board may apply additional or different standards that are not inconsistent with the New York Stock Exchange standards.
- The Board believes a membership of seven to nine Directors is appropriate to enable it to perform its responsibilities in an effective manner.
- Each Director is elected annually by the shareholders for a one-year term.
- No person who will be seventy-two years of age or more at the time of the election is eligible for election as a Director.
- An independent Director must offer her/his resignation for consideration by the Corporate Governance Committee in the event of a significant change in that Director's principal occupation. The Committee will consider such factors as it deems relevant in determining whether to recommend that the offer of resignation be accepted and will present its recommendation to the Board for action.

Conduct Board Operations

- The Board meets at least six times each fiscal year in regular session and schedules additional meetings as necessary. Board members may participate in regular and special meetings in person or by telephone.
- Non-management Directors meet at least three times each fiscal year in regular executive sessions without management present. The number and scheduling of these meetings is determined by the non-management Directors. These meetings are chaired by the Presiding Director. Non-management Directors may participate in these meetings in person or by telephone. After each executive session, the non-management Directors report to the full Board through the Presiding Director on their deliberations and any recommendations for action to be taken by the Board. The non-management Directors

will establish and publish on the Company's website the procedure by which interested parties may communicate with the non-management Directors as a group.

- An agenda is prepared for each meeting of the Board. Any Director may request that an item be placed on the agenda for consideration. The agenda is flexible enough to include regularly scheduled items as well as new matters.
- In general, Board members expect to receive adequate information about each agenda item well in advance of the Board meeting so that sufficient time will be available to prepare for discussion of each item at the meeting. The Board may receive information from various sources inside and outside the Company, although the primary sources of information available at each meeting are reports from management. Members of senior management are available during the open session of each Board meeting for discussion with the Board.
- Adequate time is scheduled at each Board meeting for a reasonably detailed discussion of each matter on the agenda and for discussion as necessary with members of management. In the event that additional time is required for discussion of any matter, the Chief Executive Officer will arrange for additional discussion at the next Board meeting or, if necessary, at a special meeting of the Board.
- The Board expects each Director to become and remain familiar with the Company and its businesses, the operations of the Board and the responsibilities of Directors generally. For this purpose, the Corporate Governance Committee, in consultation with the Chief Executive Officer, develops such opportunities for orientation and continuing education of the Company's Directors as the Committee deems appropriate.
- Periodically, but not less than every three years, management of the Company with the assistance of outside consultants reports to the Corporate Governance Committee on how the Company's practices with respect to Director compensation (including compensation of Committee members) compare with those of companies within a peer group of companies. The Committee then recommends to the Board for action any changes to those compensation practices it deems appropriate. The Board critically evaluates the independence of a director when determining the form and amount of director compensation.

Establishes and Monitors Board Committees

The Board has established the following five standing Committees to assist it in carrying out its responsibilities. Except for the Executive Committee, each of these Committees is composed solely of independent Directors. Each Committee maintains a charter setting forth its responsibilities and periodically reviews and updates that charter. Each Committee charter and any modifications to that charter are reviewed and, if acceptable, approved by the Board.

- ***Executive Committee.*** The Executive Committee exercises the authority of the Board between regular or special meetings of the Board. The Committee is composed of at least three Directors. The Chair of the Executive Committee is an independent Director.

- Corporate Governance Committee.** The Corporate Governance Committee monitors the structure, composition and operations of the Board, assesses the structure, operations and performance of the Board and makes recommendations for improvements. The Corporate Governance Committee recommends to the Board the slate of Directors for approval by the shareholders at the Company’s annual meeting and solicits, evaluates and recommends to the Board new Director nominees. The Committee also recommends a leadership structure for the Board. The Committee also recommends to the Board for approval at its annual organizational meeting the membership of the Board’s Committees for the ensuing year, and a candidate for Presiding Director. In addition, the Committee makes recommendations to the Board with respect to Director compensation and, in consultation with the Compensation and Management Development Committee, oversees the evaluation of the performance of the Board and management. In carrying out its responsibilities, the Committee has the sole responsibility to retain and discharge executive search firms engaged to identify possible Director candidates and consulting firms engaged with respect to Director compensation. The Corporate Governance Committee is responsible for reviewing, modifying as necessary (with the approval of the Board), and publishing these Principles of Corporate Governance. In addition, the Committee is responsible for monitoring compliance with the Company’s general code of conduct (to the extent not otherwise required to be reviewed by the Audit Committee), recommending modifications of the code to the Board and acting on any request for a waiver of compliance with the code by a director or executive officer. The Committee is composed of at least three Directors who are neither officers nor employees of the Company or any of its affiliates, and such Directors also shall meet any additional requirements of applicable law and of the principal market or transaction reporting system on which the Company’s securities are traded or quoted (i.e., New York Stock Exchange) (collectively, the “Exchange”).
- Audit Committee.** The Audit Committee is responsible for oversight of the Company’s accounting and auditing processes, financial reporting, disclosure controls and procedures, internal controls for financial reporting and the Internal Audit Department, and for monitoring the Company’s compliance with applicable legal and regulatory requirements. In addition, the Audit Committee is responsible for (i) monitoring compliance with the Company’s code of ethical conduct for senior financial officers (including its provisions with respect to conflicts of interest) and to act on any request for a waiver of compliance with such code, and (ii) review and approval of transactions in which a Director or an executive officer has a material interest within the meaning of the applicable rules of the Securities and Exchange Commission. The Audit Committee has sole responsibility to retain and discharge the Company’s independent public accountants and to approve in advance any audit or permitted non-audit work performed by the independent public accountants. In carrying out its responsibilities, the Audit Committee may retain independent counsel and other outside advisors. The Audit Committee will establish procedures for the receipt and treatment of complaints regarding accounting, internal controls or auditing matters and for the confidential submission by Company employees of concerns regarding accounting or auditing matters. The Committee is responsible for preparing and issuing the Audit Committee report published in the Company’s annual proxy statement. The Committee is composed of at least three Directors who are neither officers nor employees of the Company or any of its affiliates, and at least one member of the Committee shall have accounting or related financial

management expertise. The Chair and each member of the Audit Committee shall meet the independence, financial literacy and other requirements of all applicable laws and regulations of the Securities and Exchange Commission and of the Exchange.

- ***Compensation and Management Development Committee.*** The Compensation and Management Development Committee reviews and makes recommendations concerning the compensation of the Chief Executive Officer, senior management and other executives and managers, as well as policies and practices governing compensation of those individuals, and (either acting as a committee or together with the other independent directors) determines and approves the annual compensation of the Chief Executive Officer. In this connection, the Compensation and Management Development Committee reviews and approves (with Board approval as required) incentive plans and targets for certain executives and managers, evaluates performance against these plans and targets and recommends for Board approval incentive compensation payments to senior management and certain other executives. The Committee also reviews the Chief Executive Officer's recommendations for potential successors as well as recommendations for potential successors to other senior management positions and reports to the Board on its deliberations concerning management succession. In addition, the Compensation and Management Development Committee reviews the Company's affirmative action plan and its attainment of the goals set forth in that plan and generally assesses the diversity of the Company's workforce. In carrying out its responsibilities, the Committee has the sole responsibility to retain and discharge consultants engaged to assist in the evaluation of executive compensation. The Compensation and Management Development Committee is responsible for preparing and issuing the Compensation and Management Development Committee report published in the Company's annual proxy statement. The Committee is composed of at least three Directors who are neither officers nor employees of the Company or any of its affiliates, and such Directors also shall meet any additional requirements of applicable law and of the Exchange.

Pension Committee. The Pension Committee oversees the employee pension benefit plans, including defined contribution and defined benefit pension plans ("Plans"). The Committee reviews amendments to the Plans that require Board approval and makes recommendations to the Board in that regard. The Committee receives periodic reports from the Company's Retirement Committee and Investment Committee on their respective activities as fiduciaries under the Plans. The Committee is composed of at least three Directors who are neither officers nor employees of the Company or any of its affiliates, and such Directors also shall meet any additional requirements of applicable law and of the Exchange.

Approved by the Board of Directors on January 27, 2004.
As Amended by the Board of Directors on July 27, 2004.
As Amended by the Board of Directors on October 31, 2006.
As Amended by the Board of Directors on July 31, 2007.
As Amended by the Board of Directors on April 29, 2009.
As Amended by the Board of Directors on September 30, 2009.
As Amended by the Board of Directors on September 27, 2011.
As Amended by the Board of Directors on September 25, 2012.