



COMMONWEALTH OF PENNSYLVANIA  
PUBLIC UTILITY COMMISSION  
400 NORTH STREET  
HARRISBURG, PA 17120

October 31, 2014

ROBERT F. POWELSON  
CHAIRMAN

The Honorable Mayor Nutter  
Office of the Mayor  
Room 215 City Hall  
Philadelphia, PA 19107

Dear Mayor Nutter:

The Pennsylvania Public Utility Commission (Commission) has questions about the next steps for Philadelphia Gas Works (PGW). The PUC was waiting to discuss these issues while it appeared a sale was actively under consideration. Given recent developments, the Commission now would like to evaluate those concerns. These questions emanate from the core of our mission – ensuring the provision of safe, reliable utility service at a reasonable price. Our unease with PGW's current structure includes the following:

- In 2013, it cost PGW about \$1.4 million to replace one mile of pipe.
- About 49% of PGW's pipeline (1,994 miles) is considered "at risk" and in need of replacement.
- At the current rate of pipeline replacement, it will take about 80 years to replace all lines at risk.
- Prior to institution of the distribution system improvement charge (DSIC) in 2013, PGW was on a pace to replace the at risk pipe in 110 years.
- PGW's rates are the most expensive in the Commonwealth. Residential heating customers pay about \$225 a month, which, on an annual basis, translates into almost \$600 more than residential customers of other gas utilities. Similarly, Philadelphia's largest employers pay almost \$20,000 a year more in natural gas rates compared to similar customers of the next most expensive natural gas company in the state. Compared to the state's lowest natural gas rates, this number jumps to \$45,000.
- PGW customers pay about \$183 a year to support customers participating in the company's low-income programs, which is about \$128 more than the natural gas utility average.

Among the Commission's questions are:

- What is the current financial viability of PGW?
- With the current state of PGW's infrastructure, what steps will be taken to further expedite pipeline replacement?
- How should the need for pipeline replacement be balanced with the need for reasonable rates for PGW's customers?

To that end, the Commission will be holding an *en banc* hearing from 10 a.m. to 3 p.m. on Friday, Nov. 14, 2014, at Drexel University's Behrakis Grand Hall, located at 32nd and Chestnut Streets, Philadelphia. The goal of this hearing is to talk about the shared concerns for the future of PGW and your plans for the next steps. We would welcome your perspective on the future of PGW during the hearing. Please advise us by Friday, Nov. 7, 2014, of your ability to participate. If you have any questions you can contact Jennifer Kocher, Commission Press Secretary, at 717-787-5722 or [jekocher@pa.gov](mailto:jekocher@pa.gov).

Sincerely,



Robert F. Powelson