

Pennsylvania Public Utility Commission
Staff Report
Inquiry into Philadelphia Gas Works' Pipeline Replacement Program

Table 42: Summary of Opportunities and Impacts

Opportunity	Potential Incremental Funds Available for Main Replacement ^a	Funds Guaranteed to be Used for Infrastructure Improvement?	Potential Reduction of Replacement Years from 2014 Levels ^b	Total Potential Replacement Timeframe (years) ^c	Impact on Customer Bills ^d	Challenges	
1	Increase DSIC from 5%:						
	To 7.5%	Up to \$11 million annually	Yes	14.5	51.5	Low	
	To 10%	Up to \$22 million annually	Yes	23.8	42.2	Medium	
	To 12%	Up to \$31 million annually	Yes	29.2	36.8	Medium	
2	Levelize and Annualize DSIC	Up to \$5 million annually	Yes	7.5	58.5	Low	
3	Issue New Debt	Potentially \$33 million annually	No	30.2	35.8	Lower initially; higher in future (see Table 39)	Increased financial leverage which may affect PGW's bond ratings and may increase borrowing costs
4	Improve Cash Management	Potentially \$25 million one-time	No	0.6	65.4	None	Less financial flexibility for PGW
5	Use Annual Payment to City	Up to \$18 million annually	No	20.5	45.5	None	Action required by City of Philadelphia
6	Streamline Governance	Up to \$800,000 annually	No	0.4	65.6	None	Action required by City of Philadelphia
7	Consolidate Facilities	Up to \$5 million annually	No	7.5	58.5	None	Unknown implementation costs

a: Potential dollars are calculated based upon various assumptions and are therefore an estimate of likely impact.

b: For illustrative purposes only. Reductions of replacement rates are not additive. The 2014 at-risk pipeline replacement timeframe is 66 years at a cost of \$1,314,051 per mile.

c: For illustrative purposes only. Replacement rates assume that: 2014 replacement efforts remain steady, costs to replace remain steady at 2014 costs, no inflation, all potential dollars from the opportunity are used for main replacement, etc.

d: Low = less than 2-percent increase in average total customer bill; Medium = between a 2- and 5-percent increase in average total customer bill; High = greater than 5-percent increase in average total customer bill.