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|--------------------------|---|-----------------------------|
| 1. REPORT DATE: 00/00/00 | : | |
| 2. BUREAU: ALJ | : | |
| 3. SECTION(S): | : | 4. PUBLIC MEETING DATE: |
| 5. APPROVED BY: | : | 00/00/00 |
| DIRECTOR: | : | |
| SUPERVISOR: | : | |
| 6. PERSON IN CHARGE: | : | 7. DATE FILED: 08/17/00 |
| 8. DOCKET NO: R-00005654 | : | 9. EFFECTIVE DATE: 00/00/00 |

PARTY/COMPLAINANT: PUC

RESPONDENT/APPLICANT: PHILADELPHIA GAS WORKS

COMP/APP COUNTY:

UTILITY CODE: 125042

ALLEGATION OR SUBJECT

PHILADELPHIA GAS WORKS INTERIM RATE INCREASE REQUEST.....

DOCKETED
AUG 17 2000

DOCUMENT
FOLDER

DOCKET NO.:

R-00005654

RESPONDENT OR APPLICANT: PHILADELPHIA GAS WORKS

PARTY OR COMPLAINANT: PUC

| ENTRY TYPE | DATE | BUREAU | PERSONNEL |
|---|--|--------|-----------|
| 1 N | 08/17/00 | SEC | TROUT |
| PHILADELPHIA GAS WORKS (PGW) FILED FOR AN INTERIM RATE INCREASE REQUEST | | | |
| 2 H | 08/25/00 | ALJ | CHESTNUT |
| INITIAL PREHRG CONF, AVLB HRG RM, STATE OFFICE BLDG, PHILADELPHIA 1 PM | | | |
| 3 N | 08/22/00 | SEC | FRISCIA |
| OSBA FILED NOTICE OF INTERVENTION WITH CERTIFICATE OF SERVICE | | | |
| 4 N | 08/21/00 | SEC | FRISCIA |
| APARTMENT ASSN OF GREATER PHILA FILED PETITION TO INTERVENE W/CERT OF SERVICE | | | |
| 5 N | 08/22/00 | SEC | FRISCIA |
| SEC MEMO TO ALJ ASSIGNING PETITION TO INTERVENE | | | |
| 6 N | 08/17/00 | SEC | MOTTER |
| ALJ CHESTNUT PREHRG ORD 1 DIRCTS PARTIES TO COMPLY W/CERT REQUIRMTS BEFORE HRG | | | |
| 7 N | 08/24/00 | SEC | FRISCIA |
| PHILA INDUSTRIAL & COMMERCIAL GAS USERS GROUP FILED PREHRG MEMORANDUM W/CERT | | | |
| 8 N | 08/24/00 | SEC | ZEIDERS |
| PHILADELPHIA GAS WORKS FILED PREHEARING MEMORANDUM WITH CERTIFICATE OF SERVICE | | | |
| 9 N | 08/24/00 | SEC | ZEIDERS |
| CEPA/ACORN/ACTION ALLIANCE SR CITIZNS GRTR PHILA & TAG FILED PET TO INTERVENE | | | |
| 10 N | 08/24/00 | SEC | ZEIDERS |
| SEC MEMO TO ALJ ASSIGNING PETITION | | | |
| 11 N | 08/04/00 | SEC | MOTTER |
| C EICHELBERGER LTR REQ DENIAL OF SOME/ALL OF PROPSD BASE RATE INCREASE (E-MAIL | | | |
| 12 N | 08/22/00 | SEC | MOTTER |
| 7 J | PERRY LTR ACK C EICHELBERGER LTR RE PGW'S BASE RATE INCREASE REQUEST | | |
| 13 N | 08/25/00 | SEC | ZEIDERS |
| SCHOOL DISTRICT OF PHILADELPHIA FILED PREHEARING MEMORANDUM W/CERT SVC (COPY) | | | |
| 14 N | 08/30/00 | SEC | HANCOCK |
| PREHEARING MEMORANDUM W/CERTIFICATE OF SERVICE FILED BY OCA | | | |
| 15 N | 08/30/00 | SEC | HANCOCK |
| PREHEARING MEMORANDUM W/CERTIFICATE OF SERVICE FILED BY OSBA | | | |
| 16 N | 08/30/00 | SEC | HANCOCK |
| TRANSCRIPT OF INITIAL PREHEARING CONFERENCE HELD 8/25/00 FILED | | | |
| 17 N | 08/28/00 | SEC | ZEIDERS |
| SCHOOL DISTRICT OF PHILADELPHIA FILED PETITION TO INTERVENE W/CERT OF SERVICE | | | |
| 18 N | 08/30/00 | SEC | ZEIDERS |
| SEC MEMO TO ALJ ASSIGNING PETITION | | | |
| 19 N | 08/31/00 | SEC | FRISCIA |
| ATTY PHILIP BERTOCCI FOR CEPA ET AL FILED PREHEARING MEMORANDUM W/CERT OF SVC | | | |
| 20 N | 08/31/00 | SEC | ZEIDERS |
| ALJ CHESTNUT FILED REPORT OF PREHEARING 8/2500 | | | |
| 21 H | 09/27/00 | ALJ | CHESTNUT |
| INITIAL HEARING, AVLB HRG RM, STATE OFFICE BLDG, PHILADELPHIA 10 AM | | | |
| 22 H | 09/28/00 | ALJ | CHESTNUT |
| FURTHER HEARING, AVLB HRG RM, STATE OFFICE BLDG, PHILADELPHIA 9 AM | | | |
| 23 H | 09/29/00 | ALJ | CHESTNUT |
| FURTHER HEARING, AVLB HRG RM, STATE OFFICE BLDG, PHILADELPHIA 9 AM | | | |
| 24 N | 08/30/00 | SEC | FRISCIA |
| SEE R-5619 FOR CHARLES PIZZI-GREATER PHILA CHAMBER OF COMM FLD LTR RE PROCEDNG | | | |
| 25 N | 08/24/00 | SEC | ZEIDERS |
| JOHNNIE SIMMS/CHARLES HOFFMAN FILED NOTICE OF APPEARANCE FOR PA PUC-OTS W/CERT | | | |
| 26 N | 08/24/00 | SEC | MOTTER |
| SEE R-00005619 FOR COMMENTS FILED BY ANDREW THOMSON (SEE PUBLIC COMMENT FILE) | | | |
| 27 N | 08/24/00 | SEC | MOTTER |
| SEE R-00005619 FOR J PERRY LTR ACK A THOMSON COMMENTS (SEE PUBLIC COMMENT FILE) | | | |

| ENTRY TYPE | DATE | BUREAU | PERSONNEL |
|--|----------|--------|-----------|
| 28 N | 08/17/00 | SEC | MOTTER |
| SEE R-00005619 FOR COMMENTS FLD BY PETE KILIANI (E-MAIL) (SEE PUB COMMENT FILE) | | | |
| 29 N | 08/24/00 | SEC | MOTTER |
| SEE R-00005619 FOR J PERRY LTR ACK P KILIANI LTR/COMMENTS (SEE PUB COMMENT FILE) | | | |
| 30 H | 09/26/00 | ALJ | CHESTNUT |
| PUBLIC INPUT HEARING, AVLB HRG RM STATE OFFICE BLDG, PHILADELPHIA 6:00 P.M. | | | |
| 31 H | 09/29/00 | ALJ | CHESTNUT |
| PUBLIC INPUT HEARING, AVLB HRG RM STATE OFFICE BLDG, PHILADELPHIA 11:00 A.M. | | | |
| 32 N | 09/05/00 | SEC | MOTTER |
| SEE R-00005619 FOR RATE PROTEST FLD BY J. S. DANTZLER (SEE PUBLIC COMMENT FILE) | | | |
| 33 N | 09/05/00 | SEC | MOTTER |
| SEE R-00005619 FOR RATE PROTESTS FLD BY VAR INDIVIDUALS (SEE PUB COMMENT FILE) | | | |
| 34 N | 08/22/00 | SEC | HANCOCK |
| — IRWIN POPOWSKY, CONSUMER ADVOCATE, FILED FORMAL COMPLAINT W/PUB STMT (C0001) | | | |
| 35 N | 09/11/00 | SEC | HANCOCK |
| — NOTICE OF FORMAL COMPLAINT SENT TO RESPONDENT (C0001) | | | |
| 36 N | 09/11/00 | SEC | HANCOCK |
| — NOTICE OF FORMAL COMPLAINT SENT TO RESPONDENT (C0001) | | | |
| 37 N | 08/24/00 | SEC | HANCOCK |
| — PICGUG FILED FORMAL COMPLAINT (C0002) | | | |
| 38 N | 09/11/00 | SEC | HANCOCK |
| — NOTICE OF FORMAL COMPLAINT SENT TO RESPONDENT (C0002) | | | |
| 39 N | 09/11/00 | SEC | HANCOCK |
| — SEC MEMO TO ALJ ASSIGNING FORMAL COMPLAINT (C0002) | | | |
| 40 N | 09/05/00 | SEC | HANCOCK |
| — THOMAS SMITH FILED FORMAL COMPLAINT (C0003) | | | |
| 41 N | 09/11/00 | SEC | HANCOCK |
| — NOTICE OF FORMAL COMPLAINT SENT TO RESPONDENT (C0003) | | | |
| 42 N | 09/11/00 | SEC | HANCOCK |
| — SEC MEMO TO ALJ ASSIGNING FORMAL COMPLAINT (C0003) | | | |
| 43 N | 09/24/00 | SEC | HANCOCK |
| — EUGENE MALIN FILED FORMAL COMPLAINT (C0004) | | | |
| 44 N | 09/11/00 | SEC | HANCOCK |
| — NOTICE OF FORMAL COMPLAINT SENT TO RESPONDENT (C0004) | | | |
| 45 N | 09/11/00 | SEC | HANCOCK |
| — SEC MEMO TO ALJ ASSIGNING FORMAL COMPLAINT (C0004) | | | |
| 46 N | 09/12/00 | SEC | ZEIDERS |
| PHILA GAS WORKS FILED CERT/SVC OF RESPON TO OTS INTERROGS #1 & OTS RR1 TO RR8 | | | |
| 47 N | 09/08/00 | SEC | MOTTER |
| — RATE PROTEST FILED BY ANN & JOSEPH A KELLY (SEE PUBLIC COMMENT FILE) | | | |
| 48 N | 09/11/00 | SEC | MOTTER |
| SEE R-00005619 FOR RATE PROTESTS FLD BY VAR INDIVIDUALS (SEE PUB COMMENT FILE) | | | |
| 49 N | 09/13/00 | SEC | MOTTER |
| — RATE PROTEST FILED BY DAVID M SCHEID (SEE PUBLIC COMMENT FILE) | | | |
| 50 N | 08/31/00 | SEC | MOTTER |
| ALJ CHESTNUT AMENDED PREHEARING ORDER #2 DATED 8/31/00 SERVED TO PARTIES | | | |
| 51 N | 09/13/00 | SEC | FRISCIA |
| AAGP FILED MEMBERSHIP LIST PURSUANT TO ALJ CHESTNUT PREHRG ORDER #2 W/CERT | | | |
| 52 N | 09/11/00 | SEC | FRISCIA |
| SEE R-5619 FOR RATE PROTEST FILED BY LLOYD C RUSSOW (SEE PUBLIC COMMENT FILE) | | | |
| 53 N | 09/11/00 | SEC | FRISCIA |
| SEE R-5619 FOR RATE PROTEST FILED BY GERALD F WEST (SEE PUBLIC COMMENT FILE) | | | |
| 54 N | 09/18/00 | SEC | ADAMS |
| — RATE PROTEST FILED BY CONSTANTINE KATSINIS (SEE PUBLIC COMMENT FILE) | | | |
| 55 N | 09/14/00 | SEC | MOTTER |
| — SEE R-5619 FOR RATE PROTESTS FLD BY VARIOUS INDIVIDUALS (SEE PUB COMMENT FILE) | | | |

| ENTRY TYPE | DATE | BUREAU | PERSONNEL |
|---|----------|--------|-----------|
| 56 N | 09/19/00 | SEC | ZEIDERS |
| OSBA FILED CERT/SVC OF DIRECT TESTIMONY OF BRIAN KALCIC LABELED OSBA STMT #1 | | | |
| 57 N | 09/15/00 | SEC | MOTTER |
| SEE R-00005619 FOR RATE PROTEST FILED BY K DURANTE (SEE PUBLIC COMMENT FILE) | | | |
| 58 N | 09/07/00 | SEC | FRISCIA |
| SEC LTR TO PARTIES-PGW TO ENTER CERTAIN DOCS INTO RECORD/CPYS TO COMM BY 9/14 | | | |
| 59 N | 09/18/00 | SEC | ZEIDERS |
| PICGUG FILED CERT/SVC OF DIRECT TESTIMONY OF RICHARD A BAUDINO | | | |
| 60 N | 09/18/00 | SEC | MOTTER |
| SEE R-00005619 FOR RATE PROTESTS FILED BY A DEBIASE (SEE PUBLIC COMMENT FILE) | | | |
| 61 N | 09/19/00 | SEC | MOTTER |
| PHILA GAS WORKS FLD OBJ TO CEPA ETAL'S 1ST SET OF INTERR & REQ FOR DOCUMT PROD | | | |
| 62 N | 09/22/00 | SEC | FRISCIA |
| SEE R-5619 FOR RATE PROTESTS FILED BY VARIOUS INDIVIDUALS(SEE PUBL COMMNT FILE | | | |
| 63 N | 09/21/00 | SEC | FRISCIA |
| SEE R-5619 FOR RATE PROTEST FILED BY ALBERTA G HARRIS (SEE PUBL COMMENT FILE) | | | |
| 64 N | 09/22/00 | SEC | FRISCIA |
| SEE R-5619 FOR RATE PROTEST FILED BY FREDERICK RAGNO (SEE PUBLIC COMMENT FILE) | | | |
| 65 N | 09/22/00 | SEC | ZEIDERS |
| CEPA ET AL FILED MOT TO COMPEL RESPON TO INTERROGS/ADMISSIONS OBJECTED BY PGW | | | |
| 66 N | 09/26/00 | SEC | HANCOCK |
| PHILADELPHIA GAS WORKS FLD CERT OF SERVICE OF RESPONSE TO CEPA INTERROG 5 | | | |
| 67 N | 09/20/00 | SEC | FRISCIA |
| SEE R-5619 FOR RATE PROTESTS FILED BY EDWARD/JENNIFER BONETT(SEE PUB COMM FILE | | | |
| 68 N | 09/21/00 | SEC | FRISCIA |
| SEE R-5619 FOR RATE PROTEST FILED BY GEORGE C HANNA III(SEE PUBLIC COMM FILE) | | | |
| 69 N | 09/25/00 | SEC | FRISCIA |
| PHILADELPHIA GAS WORKS FILED ANSWER TO CEPA MOTION TO COMPEL W/CERT OF SERVICE | | | |
| 70 N | 09/26/00 | SEC | FRISCIA |
| OCA FILED ANSWER TO PGW MOTION TO STRIKE WITH CERTIFICATE OF SERVICE | | | |
| 71 N | 09/18/00 | SEC | MOTTER |
| SEE R-5619 FOR RATE PROTESTS FLD BY VARIOUS INDIVIDUALS (SEE PUB COMMENT FILE) | | | |
| 72 N | 09/27/00 | SEC | FRISCIA |
| SEE R-5619 FOR RATE PROTEST FILED BY NICK PALMER (SEE PUBLIC COMMENT FILE) | | | |
| 73 N | 09/28/00 | SEC | FRISCIA |
| SEE R-5619 FOR RATE PROTESTS FILED BY VARIOUS INDIVIDUALS (SEE PUB COMMNT FILE) | | | |
| 74 N | 09/25/00 | SEC | MOTTER |
| SEE R-5619 FOR RATE PROTESTS FLD BY VARIOUS INDIVIDUALS (SEE PUB COMMENT FILE) | | | |
| 75 N | 09/25/00 | SEC | MOTTER |
| PICGUG LTR ADV WILL NT BE FILING REBUTTAL TESTIMONY; RESERVES RT TO PARTICIPTE | | | |
| 76 N | 09/27/00 | SEC | ADAMS |
| SEE R-00005619 FOR RATE PROTEST FILED BY JOSEPH CYMBOR | | | |
| 77 N | 09/27/00 | SEC | ADAMS |
| SEE R-00005619 FOR RATE PROTEST FILED BY MARIE HASSELL | | | |
| 78 N | 09/27/00 | SEC | ADAMS |
| SEE R-00005619 FOR RATE PROTEST FILED BY LORETTA CRAWFORD | | | |
| 79 N | 09/28/00 | SEC | MOTTER |
| SEE R-5619 FOR RATE PROTESTS FLD BY VARIOUS INDIVIDUALS (SEE PUB COMMENT FILE) | | | |
| 80 N | 09/30/00 | SEC | MOTTER |
| - RATE PROTESTS FILED BY VARIOUS INDIVIDUALS (SEE PUBLIC COMMENT FILE) | | | |
| 81 N | 10/02/00 | SEC | MOTTER |
| - RATE PROTESTS FILED BY VARIOUS INDIVIDUALS (SEE PUBLIC COMMENT FILE) | | | |
| 82 N | 09/29/00 | SEC | ADAMS |
| ALJ CHESTNUT ORDER DENYING CEPA ET AL'S MOTION TO COMPEL SERVED TO PARTIES | | | |
| 83 N | 09/26/00 | SEC | ADAMS |
| ALJ CHESTNUT ORDER DENYING PGW'S MOTION TO STRIKE SERVED TO PARTIES (COPY) | | | |

| ENTRY | TYPE | DATE | BUREAU | PERSONNEL |
|---|------|----------|--------|-----------|
| 84 | N | 10/02/00 | SEC | ZEIDERS |
| - TRANSCRIPT OF PUBLIC INPUT HEARING HELD 9/26/00 6:00 P.M. FILED | | | | |
| 85 | N | 10/03/00 | SEC | ZEIDERS |
| - TRANSCRIPT OF PUBLIC INPUT HEARING HELD 9/29/00 11:00 A.M. FILED | | | | |
| 86 | N | 10/02/00 | SEC | ZEIDERS |
| - TRANSCRIPT OF INITIAL HEARING HELD 9/27/00 FILED | | | | |
| 87 | N | 10/03/00 | SEC | ZEIDERS |
| - TRANSCRIPT OF FURTHER HEARING HELD 9/28/00 FILED | | | | |
| 88 | N | 09/29/00 | SEC | MOTTER |
| - RATE PROTEST FILED BY ARTHUR PLAXTON (SEE PUBLIC COMMENT FILE) | | | | |
| 89 | N | 10/04/00 | SEC | ADAMS |
| - SEE R-00005619 FOR RATE PROTEST FILED BY ALEX LOEB & JOAN SAVERINO | | | | |
| 90 | N | 10/06/00 | SEC | ZEIDERS |
| ALJ TURNER FILED REPORT OF HEARING 9/26/00 | | | | |
| 91 | N | 10/06/00 | SEC | ZEIDERS |
| ALJ CHESTNUT FILED REPORT OF HEARING 9/27/00 | | | | |
| 92 | N | 10/06/00 | SEC | ZEIDERS |
| ALJ CHESTNUT FILED REPORT OF HEARING 9/28/00 | | | | |
| 93 | N | 10/06/00 | SEC | ZEIDERS |
| ALJ CHESTNUT FILED REPORT OF HEARING 9/29/00 | | | | |
| 94 | N | 10/06/00 | SEC | FRISCIA |
| - OALJ FILED HEARING EXHIBITS FROM 9/26/00 PUBLIC INPUT HEARING | | | | |
| 95 | N | 10/06/00 | SEC | FRISCIA |
| - OALJ FILED HEARING EXHIBITS FROM 9/29/00 PUBLIC INPUT HEARING | | | | |
| 96 | N | 10/06/00 | SEC | FRISCIA |
| - LATE-FILED EXHIBITS TO HEARING 9/27/00; PGW STATEMENTS IR 1.0, IR 1.1; | | | | |
| 97 | N | 10/06/00 | SEC | FRISCIA |
| - LATE-FILED EXHIBITS CONTINUED PGW EXHIBITS IR 1.1, IR 1.2, IR 1.3, IR 1.4; | | | | |
| 98 | N | 10/06/00 | SEC | FRISCIA |
| - LATE-FILED EXHIBITS CONT'D PGW STMTS IR 2.0, IR 3.0; PGW EXHS IR 3.0 IR 3.1 | | | | |
| 99 | N | 10/06/00 | SEC | FRISCIA |
| - LATE-FILED EXHIBITS CONT'D OCA CROSS EXAM EXH 1; AAGP CROSS EXAM EXH 1 FILED | | | | |
| 100 | N | 10/06/00 | SEC | FRISCIA |
| - LATE-FILED HEARING EXHIBITS TO HEARING 9/28/00; OCA STMT 1; PICGUG STMT 1; | | | | |
| 101 | N | 10/06/00 | SEC | FRISCIA |
| - LATE-FILED EXHIBITS CONTINUED OTS STMT 2; OTS EXH 2; OTS STMT 1; OTS EXH 1; | | | | |
| 102 | N | 10/06/00 | SEC | FRISCIA |
| - LATE-FILED EXHS CONTD OTS STMT 3; OTS EXH 3; OSBA STMT 1; PGW X-EXHS 1 TO 4 FILED | | | | |
| 103 | N | 10/02/00 | SEC | FRISCIA |
| - SEE R-5619 FOR RATE PROTEST FILED BY VARIOUS INDIVIDUALS (SEE PUBL COMMT FILE) | | | | |
| 104 | N | 10/04/00 | SEC | FRISCIA |
| - SEE R-5619 FOR RATE PROTESTS FILED BY VARIOUS INDIVIDUALS (SEE PUBL COMM FILE) | | | | |
| 105 | N | 10/06/00 | SEC | FRISCIA |
| - SEE R-5619 FOR RATE PROTEST FILED BY LORETTA GOLDBERG (SEE PUBL COMM FILE) | | | | |
| 106 | N | 10/03/00 | SEC | FRISCIA |
| ALJ CHESTNUT ORDER CERTIFYING RECORD SERVED TO PARTIES | | | | |
| 107 | N | 10/06/00 | SEC | MOTTER |
| - SEE R-5619 FOR RATE PROTESTS FLD BY VARIOUS INDIVIDUALS (SEE PUB COMMENT FILE) | | | | |
| 108 | N | 10/12/00 | SEC | FRISCIA |
| MAIN BRIEF WITH CERTIFICATE OF SERVICE FILED BY APARTMENT ASSN OF GREATR PHILA | | | | |
| 109 | N | 10/06/00 | SEC | MOTTER |
| - SEE R-5619 FOR RATE PROTEST FLD BY MATTHEW LIBERATORE (SEE PUBLIC COMMENT FILE) | | | | |
| 110 | N | 10/13/00 | SEC | FRISCIA |
| MAIN BRIEF WITH CERTIFICATE OF SERVICE FILED BY PICGUG | | | | |
| 111 | N | 10/16/00 | SEC | FRISCIA |
| MAIN BRIEF WITH DISKETTE & CERTIFICATE OF SERVICE FILED BY OTS | | | | |

| ENTRY | TYPE | DATE | BUREAU | PERSONNEL |
|---|------|----------|--------|-----------|
| 112 | N | 10/13/00 | SEC | FRISCIA |
| MAIN BRIEF WITH CERTIFICATE OF SERVICE FILED BY OCA | | | | |
| 113 | N | 10/13/00 | SEC | FRISCIA |
| MAIN BRIEF WITH CERTIFICATE OF SERVICE FILED BY PHILADELPHIA GAS WORKS | | | | |
| 114 | N | 09/14/00 | SEC | FRISCIA |
| PGW FILED VARIOUS DOCS ASSOCIATED WITH OUTSTANDING BONDS PER 9/7/00 SEC LETTER | | | | |
| 115 | N | 10/10/00 | SEC | ADAMS |
| - RATE PROTEST FILED BY DAVID FICKES (SEE PUBLIC COMMENT FILES) | | | | |
| 116 | N | 10/13/00 | SEC | MOTTER |
| MAIN BRIEF W/DISKETTE & CERT OF SVC FILED BY P BERTOCCI FOR CEPA ET AL | | | | |
| 117 | N | 10/13/00 | SEC | MOTTER |
| MOT TO CONSOL THE RECORD R-5619 & R-5654 W/DISK & CERT BY PHILA GAS WORKS | | | | |
| 118 | N | 10/16/00 | SEC | FRISCIA |
| - RATE PROTEST FILED BY MICHAEL SIMS (SEE PUBLIC COMMENT FILE) | | | | |
| 119 | N | 10/18/00 | SEC | FRISCIA |
| - SEE R-5619 FOR RATE PROTEST FILED BY CATHERINE ZWIERCAN (SEE PUBL COMMENT FILE) | | | | |
| 120 | N | 10/19/00 | SEC | MOTTER |
| OSBA LETTER ADVISING WILL NOT BE FILING A REPLY BRIEF W/CERT OF SERVICE | | | | |
| 121 | N | 10/19/00 | SEC | MOTTER |
| REPLY BRIEF W/DISKETTE & CERT FILED BY PHILLIP BERTOCCI FOR CEPA ET AL | | | | |
| 122 | N | 10/20/00 | SEC | HANCOCK |
| REPLY BRIEF W/CERT OF SERVICE FILED BY OCA | | | | |
| 123 | N | 10/20/00 | SEC | HANCOCK |
| REPLY BRIEF & DISKETTE W/CERT OF SERVICE FILED BY PHILADELPHIA GAS WORKS | | | | |
| 124 | N | 10/20/00 | SEC | HANCOCK |
| REPLY BRIEF W/CERT OF SERVICE FILED BY PICGUG | | | | |
| 125 | N | 10/18/00 | SEC | FRISCIA |
| PHILA GAS WORKS FILED MOT TO TAKE OFFICIAL NOTICE OR REOPEN RECORD W/CERT | | | | |
| 126 | N | 10/19/00 | SEC | FRISCIA |
| SEC MEMO TO ALJ ASSIGNING PETITION TO TAKE OFFICIAL NOTICE | | | | |
| 127 | N | 10/20/00 | SEC | MOTTER |
| REPLY BRIEF WITH CERTIFICATE OF SERVICE FILED BY OTS | | | | |
| 128 | N | 10/20/00 | SEC | MOTTER |
| P BERTOCCI FOR CEPA ET AL LTR ADV WILL NOT FILE A REPLY BRIEF; JN OCA'S POSITN | | | | |
| 129 | N | 10/18/00 | SEC | FRISCIA |
| ALJ CHESTNUT POSTHEARING ORDER #1 SERVED TO PARTIES | | | | |
| 130 | N | 10/25/00 | SEC | ADAMS |
| SUPPLEMENTAL REPLY BRIEF WITH CERTIFICATE OF SERVICE FILED BY OCA | | | | |
| 131 | N | 10/19/00 | SEC | FRISCIA |
| PICGUG FILED LTR ADV SUPPORT OCA/OTS JT ANSWER/DOES NOT OPPOSE PGW MOT W/CERT | | | | |
| 132 | N | 10/19/00 | SEC | FRISCIA |
| OCA/OTS FILED JT ANSWER TO PGW MOT TO TAKE OFFICIAL NOT OR REOPEN RECORD W/CER | | | | |
| 133 | N | 10/19/00 | SEC | FRISCIA |
| OSBA FILED LTR ADV CONCURS WITH OCA/OTS JT ANS & REQS GRANT REOPEN REC W/CERT | | | | |
| 134 | N | 10/19/00 | SEC | FRISCIA |
| CEPA ET AL FILED LETTER ADVISING SUPPORT OCA/OTS JOINT ANSWER W/CERT OF SVC | | | | |
| 135 | N | 10/20/00 | SEC | FRISCIA |
| APARTMENT ASSN OF GREATER PHILA FILED LTR ADV NOT FILING REPLY BRIEF W/CERT | | | | |
| 136 | N | 10/24/00 | SEC | HANCOCK |
| - RATE PROTESTS FILED BY VARIOUS INDIVIDUALS | | | | |
| 137 | N | 10/13/00 | SEC | ADAMS |
| OSBA FILED LETTER IN LIEU OF MAIN BRIEF W/CERT OF SERVICE (DISKETTE ATTACHED) | | | | |
| 138 | N | 10/12/00 | SEC | BARBUSH |
| OCA FILED SCHEDULES 2.1 & 3.1 WITH CERTIFICATE OF SERVICE (COPY) | | | | |
| 139 | N | 10/12/00 | SEC | BARBUSH |
| * INFORMAL PETITIONS SIGNED BY VARIOUS INDIVIDUALS FILED | | | | |

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| ENTRY TYPE | DATE | BUREAU | PERSONNEL |
|---|----------|--------|-----------|
| 140 N | 10/25/00 | SEC | ADAMS |
| → PGW FILED EXH #5 UPDTE STATUS OF PHILA ADM REQ FOR APPRVL FROM CITY COUSL LOAN | | | |
| 141 N | 10/25/00 | SEC | ADAMS |
| OSBA FILED LETTER ADVISE WILL NOT BE FILING A SUPPLEMENTAL BRIEF | | | |
| 142 N | 10/25/00 | SEC | ZEIDERS |
| SUPPLEMENTAL REPLY BRIEF W/DISKETTE & CERT OF SERVICE FILED BY CEPA ET AL | | | |
| 143 N | 10/20/00 | SEC | MOTTER |
| ALJ CHESTNUT POSTHEARING ORDER #2 DATED 10/20/00 SERVED TO PARTIES | | | |
| 144 N | 10/30/00 | SEC | FRISCIA |
| ← MICHAEL GOULD FILED FORMAL COMPLAINT (C0005) | | | |
| 145 N | 11/02/00 | SEC | FRISCIA |
| ← NOTICE OF COMPLAINT SERVED TO RESPONDENT (C0005) | | | |
| 146 N | 11/02/00 | SEC | FRISCIA |
| ← SEC MEMO TO ALJ ASSIGNING FORMAL COMPLAINT (C0005) | | | |
| 147 N | 11/06/00 | SEC | MOTTER |
| ← SEE R-5619 FOR PETITNS FORWRDED BY HON SALVATORE PROTESTG PROPSD RATE INCREASE | | | |
| 148 N | 11/06/00 | SEC | MOTTER |
| * J PERRY LTR ACK PET FORWARDED FROM HON SALVATORE RE PGW PROPOSED RATE INCREASE | | | |
| 149 N | 11/08/00 | SEC | FRISCIA |
| ← SEE R-5619 FOR RATE PROTEST FILED BY RICHARD F KOSICH (SEE PUBL COMMENT FILE) | | | |
| #5: 150 N | 11/14/00 | SEC | ADAMS |
| PGW ADV WILL NOT BE FILING ANSWER TO COMPLAINTS (C4 & C5) SEE AMD PREHRG ORD 2 | | | |
| 151 N | 11/21/00 | SEC | PATRICK |
| 6 PGW SUBMIT REVISED TARIFF, ETC;LAW PREPARE ORDER | | | |
| 152 N | 11/22/00 | SEC | HANCOCK |
| ORDER SERVED TO PARTIES | | | |
| 153 N | 12/07/00 | SEC | BARBUSH |
| ← PHILA GAS WORKS, PHILA FACILITIES MGMT CORP FILD NOTICE PET REVIEW (B-00003848) | | | |
| 154 N | 12/07/00 | SEC | MOTTER |
| PHILA GAS WORKS FILED LTR/RESPONSE TO ORDER ENTERED 11/22/00 | | | |
| 155 N | 12/08/00 | SEC | MOTTER |
| SEC MEMO TO LAW ASSIGNING LTR/RESPONSE TO ORDER ENTERED 11/22/00 | | | |
| 156 N | 12/07/00 | SEC | MOTTER |
| PHILA GAS WORKS FLD PET FOR STAY & AFFIRMATIVE RELIEF PENDING APPELLATE REVIEW | | | |
| 157 N | 12/08/00 | SEC | MOTTER |
| SEC MEMO TO LAW ASSIGNING PET FOR STAY/AFFIRMATIVE RELIEF PENDG APPELLATE REVW | | | |
| 158 N | 12/20/00 | SEC | TFRISCIA |
| ORDER SERVED TO PARTIES | | | |
| 159 N | 12/18/00 | SEC | MOTTER |
| AAGP FLD RESPONSE TO PHILA GAS WORKS APPL FOR STAY & AFFIRMATIVE RELIEF W/CERT | | | |
| 160 N | 12/18/00 | SEC | MOTTER |
| PICGUG FLD ANSWER TO PHILA GAS WORKS APPL FOR STAY & AFFIRMATIVE RELIEF W/CERT | | | |
| 161 N | 12/18/00 | SEC | MOTTER |
| OCA FLD ANSWER TO PGW'S APPLICATION FOR STAY & AFFIRMATIVE RELIEF PENDG REVIEW | | | |
| 162 N | 12/19/00 | SEC | ZEIDERS |
| CEPA, ET AL FLD ANS TO PGW APPLI FOR STAY & AFFIRMTV RELIEF PENDNG APPELLAT RVW | | | |
| 163 N | 12/28/00 | SEC | BARBUSH |
| SEC LTR TO PHILA GAS WORKS-EXTEN TIME REQ GRANTED; FILE BASE RATE CASE BY 1/5 | | | |
| 164 N | 12/20/00 | SEC | KEPNER |
| RECOM ADOPTED:APPLICATION APPROVED | | | |
| 165 N | 01/29/01 | SEC | MOTTER |
| ← SEE R-5619 FOR A OLEXA LTR RE PGW BILLGS FOR TIME PERIODS-NOT RESIDG @ PROPRTY | | | |
| 166 N | 02/08/01 | SEC | BARBUSH |
| PHILA GAS WKS FILD JT PET FOR FULL SETLEMT OF PET ESTABLISHMT INTERM RATES ETC | | | |
| 167 N | 02/08/01 | SEC | BARBUSH |
| SEC LTR ADV COMMENTS TO PHILA GAS WKS JT PET FOR FULL SETTLEMENT DUE 2/16 1 PM | | | |

* Missing

| ENTRY TYPE | DATE | BUREAU | PERSONNEL |
|---|----------|--------|-----------|
| 168 N | 02/15/01 | SEC | MOTTER |
| COMMENTS IN OPPSTN TO PGW JT PET FOR FULL STLMT BY P BERTOCCI FOR CEPA ET AL | | | |
| 169 N | 02/16/01 | SEC | ZEIDERS |
| COMMENTS WITH CERTIFICATE OF SERVICE FILED BY PICGUG | | | |
| 170 N | 02/16/01 | SEC | ZEIDERS |
| COMMENTS RE JT PET FOR FULL SETTLMNT OF PHILA GAS WKS W/CERT SVC FILED BY OCA | | | |
| 171 N | 02/16/01 | SEC | ZEIDERS |
| AAGP FILED LTR IN LIEU OF COMMENTS ADV AGREES W/COMMNTS FILED BY OCA & PICGUG | | | |
| 172 N | 02/20/01 | SEC | FRISCIA |
| PHILADELPHIA GAS WORKS FILED RESPNSE TO COMMENTS/OBJS TO JT PET FOR FULL STLMT | | | |
| 173 N | 02/15/01 | SEC | ADAMS |
| COMMENTS FILED BY DINA CORGILIANO | | | |
| 174 N | 02/16/01 | SEC | ADAMS |
| COMMENTS W/CERT OF SERV TO JOINT PETITION FOR SETTLEMENT FILED BY OSBA | | | |
| 175 N | 02/20/01 | SEC | FRISCIA |
| PHILA GAS WORKS FLD CERT/SVC OF RESP TO COMMENTS/OBJS TO JT PET FOR FULL STLMT | | | |
| 176 N | 02/20/01 | SEC | FRISCIA |
| PHILADELPHIA GAS WORKS FILED REVISED ATTACHMENT "A" TO JT PET FOR FULL STLMT | | | |
| 177 N | 02/22/01 | SEC | TFRISCIA |
| ORDER SERVED TO PARTIES | | | |
| 178 N | 03/01/01 | SEC | MOTTER |
| PHILADELPHIA GAS WORKS LTR/RESPONSE TO 2/22 ORDER; ACCEPTS UNMODIFIED CONDITNS | | | |
| 179 N | 02/21/01 | SEC | WILSON |
| RECOM ADOPTED-ORDER ADOPTED | | | |
| 180 N | 02/28/01 | SEC | ADAMS |
| PGW FILED SUPP #9 TO TAR GAS-PA PUC #1 EFF 3/1/01 W/INTERIM STTMNT SUPPORT SCH | | | |
| 181 N | 03/01/01 | SEC | BARBUSH |
| → NOTICE OF DISCONTINUANCE FILED (B-00003848) | | | |
| 182 N | 05/10/01 | SEC | FRISCIA |
| PGW FILED MONTHLY PROGRESS REPORT DATED 5/10/01 PER 2/22/01 COMM ORDER W/CERT | | | |
| 183 N | 06/08/01 | SEC | ADAMS |
| PGW FILED MONTHLY PROGRESS REPORT DATED 6/8/01 PER 2/22/01 COMM ORDER W/CERT | | | |
| 184 N | 07/11/01 | SEC | ADAMS |
| PGW FILED MNTHLY PROGRESS RPT FOR MONTHS 4,5,6 2001;INCLUDES COMMITMENTS #3,5 | | | |
| 185 N | 08/03/01 | SEC | FRISCIA |
| PGW FILED MONTHLY PROGRESS REPORT FOR JULY 2001 W/CERTIFICATE OF SERVICE | | | |
| 186 N | 09/10/01 | SEC | BENJAMIN |
| PGW FILED MONTHLY PROGRESS REPORT FOR AUGUST 2001 W/CERTIFICATE OF SERVICE | | | |
| 187 N | 10/05/01 | SEC | MOTTER |
| PGW FILED MONTHLY PROGRESS RPT FOR JULY, AUGUST & SEPT 2001 W/QUARTERLY DATA | | | |
| 188 N | 11/02/01 | SEC | FRISCIA |
| PGW FILED MONTHLY PROGRESS REPORT FOR OCTOBER 2001 PER 2/22/01 COMMISSION ORDR | | | |
| 189 N | 12/03/01 | SEC | TFRISCIA |
| PGW FILED MONTHLY PROGRESS REPORT FOR NOVEMBER 2001 PER 2/22/01 ORDER W/CERT | | | |
| 190 N | 12/10/01 | SEC | MOTTER |
| PETITION FOR ENFORCEMENT OF SETTLEMENT WITH CERT OF SERVICE FILED BY OCA | | | |
| 191 N | 12/11/01 | SEC | MOTTER |
| SEC MEMO TO LAW ASSIGING PETITION FOR ENFORCEMENT OF SETTLEMENT | | | |
| 192 N | 12/12/01 | SEC | MOTTER |
| 1. PGW FLD INFORMATIONAL FILING & REQ TO UTILIZE INTERIM STLMT RESERVE ACCT FUNDS | | | |
| 193 N | 12/13/01 | SEC | MOTTER |
| PGW FLD ANS/MOT TO DISMISS THE PET FOR ENFORCEMT OF SETTLEMENTS BY OCA ETC. | | | |
| 194 N | 12/17/01 | SEC | TFRISCIA |
| COMMENTS W/CERTIFICATE OF SERVICE FILED BY ATTORNEY P BERTOCCI FOR CEPA ET AL | | | |
| 195 N | 12/18/01 | SEC | MOTTER |
| 1. OCA FLD COMMENTS RE: PGW'S INFORMTL FILING & REQ TO UTILIZE RESERVE ACCT FUNDS | | | |

| ENTRY TYPE | DATE | BUREAU | PERSONNEL |
|---|----------|--------|-----------|
| 196 N | 12/19/01 | SEC | MOTTER |
| P BERTOCCI FOR CEPA ET AL LTR SUPPORTING OCA'S ANSWER TO PGW'S MOT TO DISMISS | | | |
| 197 N | 12/20/01 | SEC | BENJAMIN |
| OCA FLD ANSWER TO RESPONDENT'S MOTION TO DISMISS W/CERTIFICATE OF SERVICE | | | |
| 198 N | 12/19/01 | SEC | TFRISCIA |
| PHIL GAS WORKS FLD REPLY TO OCA & CEPA'S COMMENTS TO PGW'S 12/12 FILING W/CERT | | | |
| 199 N | 12/21/01 | SEC | FRISCIA |
| PGW FILED REPLY TO OSBA COMMENTS TO PGW 12/12/01 INFORMATIONAL FILING | | | |
| 200 N | 12/20/01 | SEC | TFRISCIA |
| OTS FILED LETTER REQUESTING TO UTILIZE INTERIM SETTLEMENT RESERVE FUNDS | | | |
| 201 N | 12/20/01 | SEC | MOTTER |
| COMMENTS WITH CERTIFICATE OF SERVICE FILED BY OSBA | | | |
| 202 N | 12/26/01 | SEC | MOTTER |
| SEC LETTER ADDRESSING PGW'S INFORMATIONAL FILING FILED | | | |
| 203 N | 01/09/02 | SEC | MOTTER |
| PGW FILED MONTHLY PROGRESS REPORT FOR OCT, NOV, DEC 2001 | | | |
| 204 N | 02/07/02 | SEC | MOTTER |
| ORDER ADOPTED 2/7/02 ISSUED (SEE 308568 FOR CONTENTS OF ORDER) | | | |
| 205 N | 02/13/02 | SEC | FRISCIA |
| PGW FILED MONTHLY PROGRESS REPORT DATED 2/13/02 FOR JANUARY 2002 W/CERT OF SVC | | | |
| 206 N | 02/07/02 | SEC | PATRICK |
| RECOM ADOPTED-REFUND OF \$7 MILL INAPPROPRIATELY INCLUDED IN 12/1/01 QTRLY FLN | | | |
| 207 N | 04/30/02 | SEC | TFRISCIA |
| PGW FILED MONTHLY PROGRESS REPORT FOR JANUARY, FEBRUARY & MARCH 2002 W/CERT | | | |
| 208 N | 04/09/02 | SEC | MOTTER |
| CITY OF PHILA LTR ADV OF STATUS OF CITY'S SEARCH FOR PERMANENT MGMT FOR PGW | | | |
| 209 N | 05/10/02 | SEC | MOTTER |
| PGW FILED MONTHLY PROGRESS REPORT FOR APRIL 2002 WITH CERT OF SERVICE | | | |
| 210 N | 06/10/02 | SEC | PATRICK |
| PGW FILED MONTHLY PROGRESS REPORT FOR MAY 2002 W/CERTIFICATE OF SERVICE | | | |
| 211 N | 08/09/02 | SEC | PATRICK |
| PGW FILED MONTHLY PROGRESS REPORT FOR JULY 2002 W/CERTIFICATE OF SERVICE | | | |
| 212 N | 09/13/02 | SEC | PATRICK |
| PGW FILED MONTHLY PROGRESS REPORT FOR AUG 2002 W/CERTIFICATE OF SERVICE | | | |
| 213 N | 10/15/02 | SEC | FRISCIA |
| PGW FILED MTHLY PROGRS RPT FOR JUL AUG SEP 2002 RE CONDITIONS IMPOSED BY COMM | | | |
| 214 N | 12/10/02 | SEC | MOTTER |
| PGW FILED MONTHLY PROGRESS REPORT FOR NOVEMBER 2002 WITH CERT OF SERVICE | | | |
| 215 N | 11/06/02 | SEC | BENJAMIN |
| PGW FLD MONTHLY PROGRESS RPT FOR OCTOBER 2002 IN ACCORD W/PUC ORD OF 2/22/01 | | | |
| 216 N | 01/15/03 | SEC | PATRICK |
| PGW FLD MONTHLY PROGRESS RPT FOR OCT,NOV,DEC 02. IN ACCORD W/PUC ORD OF 2/22/01 | | | |
| 217 N | 01/16/03 | SEC | MOTTER |
| ORDER ADOPTED 1/15/03 ISSUED (SEE DOCS 369969 FOR CONTENTS OF ORDER) | | | |
| 218 N | 04/11/03 | SEC | PATRICK |
| PGW FLD MONTHLY PROGRESS RPT FOR JAN,FEB,MAR 03 IN ACCORD W/PUC ORD OF 2/22/01 | | | |
| 219 N | 05/08/03 | SEC | MOTTER |
| PGW LTR ADV OF ERROR TO QTRLY PROGRESS RPT FOR 1ST QTR 2003;ENCL CORRECTD CHART | | | |
| 220 N | 07/18/03 | SEC | FRISCIA |
| PGW FILED MONTHLY PROGRESS REPORT FOR 2ND QUARTER 2003 W/CERTIFICATE OF SVC | | | |
| 221 N | 10/20/03 | SEC | FRISCIA |
| PGW FILED QTRLY PROGRESS REPORT FOR 3RD QTR 2003 PER 1/16/03 COMMISSION ORDER | | | |
| 222 N | 01/22/04 | SEC | FRISCIA |
| PGW FILED QTRLY PROGRESS RPT FOR 4TH QTR 2003 PER 1/16/03 COMMISSION ORDER | | | |
| 223 N | 04/21/04 | SEC | FRISCIA |
| PGW FILED QTRLY PROGRESS RPT FOR 1ST QTR 2004 PER 1/16/03 COMMSN ORDER PARA 4 | | | |

| ENTRY TYPE | DATE | BUREAU | PERSONNEL |
|---|----------|--------|-----------|
| 224 N | 07/27/04 | SEC | MOTTER |
| PGW FILED QTRLY PROGRESS RPT FOR 2ND QTR 2004 PER 1/16/03 COMMISSION ORDER | | | |
| 225 N | 10/20/04 | SEC | FRISCIA |
| PGW FILED QUARTERLY PROGRESS REPORT FOR 3RD QUARTER 2004 W/CERTIFICATE OF SVC | | | |
| 226 N | 01/21/05 | SEC | MOTTER |
| PGW FILED QUARTERLY PROGRESS REPORT FOR 4TH QUARTER 2004 W/CERTIFICATE OF SVC | | | |
| 227 N | 04/26/05 | SEC | MOTTER |
| PGW FILED QUARTERLY PROGRESS REPORT FOR 1ST QTR 2005 PER 1/16/03 ORDER W/CERT | | | |

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E-MAIL: AKOHLER@WOLFBLOCK.COM

August 8, 2000

VIA HAND DELIVERY

James McNulty, Secretary
PA Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

R-00005654

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PA P.U.C.
SECRETARY'S BUREAU

RE: Petition of Philadelphia Gas Works for Establishment of
Interim Rate Procedures and for a Declaratory Order
Docket No. _____

Dear Secretary McNulty:

On behalf of Philadelphia Gas Works, enclosed for filing please find an original and three copies of its Petition for Interim Rate Procedures and for a Declaratory Order. As indicated on the attached Certificate of Service all parties have been served in the manner indicated.

Because of the expedited nature of the request for relief, PGW is formally requesting that the Commission consider this matter at its August 17th Public Meeting. In order to accommodate such consideration, PGW also formally requests the Commission to establish an expedited answer period with all answers due on or before August 14, 2000.

Attached as Exhibit "A" to the Petition is the Affidavit of Thomas Knudsen which is verified by a fax signature. PGW will supplement the original of Mr. Knudsen's verification tomorrow.

COPIES
FOLDER

James McNulty, Secretary
August 8, 2000
Page 2

If you have any questions, please do not hesitate to contact me.

Sincerely,



Alan C. Kohler
For WOLF, BLOCK, SCHORR and SOLIS-COHEN LLP

AK/lww
Enclosure

cc: John M. Quain, Chairman (w/enc)
Robert K. Bloom, Vice Chairman (w/enc)
Nora Mead Brownell, Commissioner (w/enc)
Aaron Wilson, Jr., Commissioner (w/enc)
Terrance J. Fitzpatrick, Commissioner (w/enc)
Veronica Smith, Dep. Exec. Dir. (w/enc)
M.A. Miller, Director of Bureau of Consumer Services (w/enc)
R.A. Rosenthal, Bureau of Fixed Utility Services (w/enc)
R. Bennett, Bureau of Fixed Utility Services (w/enc)
Kevin Cadden, Office of Executive Director (w/enc)

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SECRETARY'S BUREAU

ORIGINAL

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**In Re: Petition of Philadelphia Gas Works for
Establishment of Interim Rate Procedures and
for a Declaratory Order** :

R-00005654
Docket No.

**PETITION OF PHILADELPHIA GAS WORKS
FOR ESTABLISHMENT OF INTERIM RATES PROCEDURES
AND FOR A DECLARATORY ORDER**

Pursuant to 52 Pa. Code §§ 5.41 and 5.42 and 66 Pa. C.S. §§ 331(f), 2212(d) and (e), and Chapter 13 of the Public Utility Code ("Code"), Philadelphia Gas Works ("PGW") hereby submits this Petition requesting that the Commission:

(1) establish an expedited hearing schedule culminating in a Commission decision no later than its Public Meeting on November 8, 2000 to establish interim rates for PGW effective no later than November 15, 2000, as set forth below;

(2) direct the conduct of such proceeding in a manner designed to enable the Commission to consider and determine an interim rate increase for PGW that would permit PGW to maintain a minimal, adequate level of financial health required to fund operations and meet debt service requirements through the winter heating season until the Commission can conduct and rule on a full base rate proceeding;

FOLDER

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SECRETARY'S BUREAU

(3) declare that the only issue within the scope of the interim rate proceeding will pertain to investigation of the level of interim rates necessary to maintain the ability of PGW to fund its operations until the completion of a full base rate case, and

(4) declare that, the Commission will utilize the ratemaking methodology and requirements utilized by the Philadelphia Gas Commission ("PGC") in reviewing similar requests, as mandated by section 2212(e) of the Code; and

(5) waive any provisions of the Code or Commission regulations that are inconsistent with this request.

Consistent with the foregoing, it is important to understand that this Petition is procedural in nature in that it does not request that the Commission grant a particular level of interim rates, only that it direct the conduct of an expedited proceeding in which it would consider doing so at or prior to its November 8, 2000 Public Meeting. The merits and magnitude of PGW's interim rates request would be comprehensively addressed once the process requested is initiated. This Petition merely provides the necessary support and foundation for an expedited interim rate proceeding.¹

PGW is in the midst of a full scale "refurbishment" with new management and a new direction, dedicated to returning the Gas Works to good financial health, increased efficiency and superior customer service. Part of that effort includes a base rate increase, as well several rate structure reforms. But, before PGW can move forward with these plans, it must deal with an

¹ Attached to this Petition as Exhibit "A" is the Affidavit and Verification of Thomas Knudsen, PGW's Chief Financial Officer which provides detailed support for the relief requested.

immediate reality: Without additional revenues received very soon, PGW will not be able to meet monthly operating expense and other bond covenants starting in January, 2001. PGW is requesting that the Commission focus on the present urgent need of the Gas Works, rather than engaging in an extended debate about the procedural or substantive requirements of PGW's prior regulatory scheme and its applicability to the Commission. In order to address this urgent need and fulfill its financial obligations and satisfy its bond covenants, PGW must obtain increased revenues prior to the beginning of the 2000-01 winter heating season. To do that, PGW must begin to bill customers at increased levels by late October or early November.

Accordingly, without waiving any of its legal positions,² PGW requests that the Commission employ the authority provided to it by the General Assembly to waive or suspend any provision of the Public Utility Code in the transition of PGW to full Commission regulation, in order to establish a reasonable level of interim rates designed to maintain the financial health of the Company at acceptable levels to prevent the Company from falling into serious financial crisis while still providing appropriate notice and hearing. PGW requests that the Commission schedule an expedited proceeding to make a determination on such interim rates by late October

² By filing these requests with the Commission under Chapter 13 of the Code, PGW does not in any way waive its legal position that, under 66 Pa. C.S. § 2212(d), Chapter 13 of the Code is not, and will not become, applicable to PGW unless and until PGW submits a restructuring plan to the Commission pursuant to 66 Pa. C.S. § 2204 and a final order is entered regarding such plan. Until such time, 66 Pa. C.S. § 2212(d) clearly provides that PGW shall continue to provide services under its "prior tariff and the policies or programs existing on the date that the [Commission] assumes jurisdiction over [PGW], until the effective date of the final order entered by the [Commission] approving the restructuring plan and new tariff of [PGW]...."

or by early November, 2000. The new, interim rate levels must be allowed to go into effect upon the filing by PGW of a compliance filing, effective on one day's notice.

At or about the time that the Commission rules on this interim rate request, PGW anticipates that it will file with the Commission a full base rate increase request similar to the request it previously filed with the predecessor rate regulatory agency, the Philadelphia Gas Commission ("PGC"). That proceeding would allow PGW to incorporate the results of its approved operating budget – anticipated to be approved by the PGC some time in October, 2000 — develop a record on the reasonableness of PGW's complete proposals for rate structure changes, (principally, increasing the customer charges for each rate class so that PGW's revenue streams will be less weather sensitive) as well as to consider the findings and recommendations of the Commission's management audit — which is scheduled to be completed by the end of this year — and to convert the interim rate levels to permanent rates at the levels justified by PGW's full base rate filing.

Additionally, PGW is requesting the Commission to declare and order, under 66 Pa.C.S. § 2212(d), that the interim rate filing will focus only on the level of rates necessary to maintain PGW's financial health during the pendency of a full base rate case and the most reasonable way to revise rates, on an interim basis, to assure that the additional dollars requested by the company will be received timely and thus will be effective in keeping the Company financially solvent. The interim rate case will not include any other issues that would be more appropriately raised in the subsequent, full base rate proceeding.

In addition, the Commission should declare that it will consider PGW's interim rate filing using the same rate making methodology previously used by the PGC and required by the City

ordinances governing PGW. These in limine findings will assure that the expedited interim filing will not be delayed or bogged down by the need to address ancillary issues.

In sum, PGW's financial difficulties, as set forth in the attached Affidavit of Thomas Knudsen, are so pressing that an expedited proceeding, to begin immediately and to conclude with an order authorizing PGW to put in place an interim rate increase by no later than early November, 2000, is vital. A decision by October 25 would provide the most effective means of preventing serious financial harm and deterioration of the reliability of service provided by PGW to its customers.

In support of this Petition, PGW states as follows:

I. — Background

1. The Petitioner is PGW, with its principal place of business at 800 W. Montgomery Avenue, Philadelphia, PA 19122.
2. PGW is a group of real and personal assets owned by the City of Philadelphia ("City") and used for the acquisition, storage, processing and distribution of natural gas within the City. PGW is a "city natural gas distribution operation" as defined in Section 102 of the Code, 66 Pa. C.S. § 102.
3. The Philadelphia Facilities Management Corporation ("PFMC") is a non-profit corporation organized by the City of Philadelphia ("City") for the specific purpose of operating PGW. The Board of PFMC is appointed by the Mayor of Philadelphia pursuant to an Agreement Between the City and PFMC for the Management and Operation of the Philadelphia Gas Works dated December 29, 1972 ("Management Agreement"). The Management Agreement was incorporated into and approved by an ordinance of the Philadelphia City Council on December

29, 1972 (No. 455 of 1972). Pursuant to the Management Agreement, PFMC is responsible for all operations of PGW (Section I, ¶1). A copy of the Management Agreement, as amended through and including December 31, 1995, is attached hereto as Exhibit "B."

4. Prior to the passage of the "Gas Choice Act,"³ PGW — as a municipally-owned natural gas operation providing service only within the corporate limits of the City — and its rates, terms and conditions of service, were exempt from the jurisdiction, regulation and control of the Commission. Instead, pursuant to Sections VI, ¶9 and VII, ¶1 of the Management Agreement, PGW has been regulated by the PGC, a local agency of the City of Philadelphia provided for by the Philadelphia Home Rule Charter §§ 3-100, 3-909 and 5-902, 351 Pa. Code §§ 3.3-100, 3.3-909 and 5.5-902.

5. Pursuant to Section 2212(d) of the Gas Choice Act, until such time as a new tariff is filed by PGW and approved by the Commission in connection with a restructuring, PGW continues and "shall continue to provide natural gas supply and natural gas distribution services to its customers under the prior tariff and the policies or programs existing . . ." on July 1, 2000. PGW's "Prior Tariff" is defined as PGW's "tariff, rate schedule and riders incorporated into the tariff" in existence on July 1, 2000. *Id.* This section of the Gas Choice Act also makes the provisions of PGW's Prior Tariff applicable to the Commission when it specifically provides:

Where the prior tariff refers to, incorporates or includes a local commission [i.e., the Philadelphia Gas Commission], it shall be interpreted as referring

³ The Natural Gas Choice and Competition Act ("Gas Choice Act") is Section 3 of the Act of June 22, 1999 (P.L. 122, No. 1999-21), 66 Pa. C.S. §§ 2201-2212 (hereinafter "the Gas Choice Act").

to, incorporating or including the commission [i.e.,
the PUC].

6. PGW is authorized to request modifications in its “prior” tariff from the Commission.⁴ Section 2212(e) of the Gas Choice Act further requires the Commission, when determining PGW’s “revenue requirement” and “approving overall rates and charges,” to “follow the same ratemaking methodology and requirements that were applicable to [PGW]” prior to the Commission’s assumption of jurisdiction over PGW until all “approved bonds” have been “retired, redeemed, advance refunded or otherwise defeased.” 66 Pa. C.S. § 2212(e).⁵

7. All “approved bonds” have not been “retired, redeemed, advance refunded or otherwise defeased” as of this date and will not be “retired, redeemed, advance refunded or otherwise defeased” prior to December 31, 2001 or as of the effective date of the Commission’s final order approving PGW’s restructuring plan and initial tariff.⁶

⁴ PGW has reformatted its “prior” tariff to change references to the PGC to the Commission, where appropriate. Such reformatted tariff was filed with the Commission on July 3, 2000, and is publicly available.

⁵ Under the provisions of §§ 2212(d) and (e) of the Gas Choice Act, PGW believes that the ratemaking methodology, requirements and policies and programs set forth in the Code would not become fully applicable to PGW (and even then will be subject to certain statutory exceptions set forth in the Gas Choice Act) until the effective date of a final order issued by the Commission approving a restructuring plan and new tariff for PGW in a proceeding filed pursuant to 66 Pa.C.S. §§ 2204 and 2212(g). It is not, however, necessary for the Commission to address or resolve this question in order to grant PGW’s requests as they have been presented in this Petition.

⁶ In addition, Section 2212(s) of the Gas Choice Act provides:

Nothing contained in this title shall be construed to abrogate or limit the executive or legislative powers of a city that owns a city natural gas distribution operation to legislate or otherwise

(continued...)

8. The ratemaking methodology applicable to PGW prior to the Commission's assumption of jurisdiction over PGW is the "cash flow method." Action Alliance v. Philadelphia Gas Com'n, 406 A.2d 1155, 1158 (Pa.Cmwlth. 1979). As set forth in Section VII, ¶ 1 of the Management Agreement, the "cash flow method" mandates that the PGC,⁷ at a minimum, shall fix and regulate rates and charges for supplying gas to customers . . . which . . . will, in each fiscal year produce revenues, at a minimum:

- (a) Sufficient to pay all of the operation and maintenance costs and expenses of conducting the Gas Works enterprise and to pay the interest and amortization becoming due in such fiscal year on debt incurred for the Gas Works . . .

including: (1) a minimum payment of \$18 million to the City; (2) approved payment of debt and capital additions; and (3) an allowance for cash for working capital.⁸

9. Further, the Management Agreement obligates the Company to "observe and comply with "the covenants of its bonds issued in accordance with the First Class City Revenue Bond Act." Importantly, the bond covenants not only obligate PGW to maintain debt service

⁶(...continued)

determine the powers, functions, budgets, activities and mission of the city natural gas distribution operation . . . , including but not limited to, the ownership, governance, management or control thereof.

⁷ Under the third sentence of § 2212(d) of the Gas Choice Act, this mandate is applicable to the Commission.

⁸ Management Agreement, ¶ VII; (1)(b). The PGC was authorized and did consider granting higher levels if justified to improve the financial position of the Company, e.g., to reduce the Company's dependence on long term debt. This was one of the purposes of PGW's original \$52 million filing with the PGC.

coverages at 150%, but also to provide for "all Net Operating Expenses payable during such Fiscal Year."⁹

10. On June 19, 2000, PGW filed, inter alia, its proposed operating and capital budgets for the 2000-01 fiscal year with the PGC. The proposed operating budget, if approved, would create an additional revenue requirement for PGW over its approved 1999-2000 budget of approximately \$52 million to fund the level of operations reflected in the budget.

11. Section IV, ¶ 2 of the Management Agreement requires PGW's annual operating budget for the fiscal year commencing September 1, 2000 to be submitted to and approved by the PGC and its capital budget to be approved by the PGC and the Philadelphia City Council, respectively. Section IV, ¶ 2(c) of the Management Agreement provides that "[a]ll expenditures

⁹ Management Agreement, ¶ VII, 1(c). The City has covenanted with bondholders that so long as any such bonds remain outstanding, the City — will, at a minimum, impose charge and collect in each Fiscal Year such gas rates and charges as shall, together with all other Gas Works Revenues to be received in such Fiscal Year, equal not less than . . .

- (i) all Net Operating Expenses payable during such Fiscal Year;
- (ii) all principal of and interest on bonds issued and outstanding . . .
- (iii) 150% of the amount required to pay Sinking Fund deposits required such Fiscal Year in respect of all Outstanding Senior Bonds . . .

* * *

The Gas Commission is hereby authorized and directed, without further authorization, to impose and charge and to collect or cause to be collected, rents, rates and charges which shall be sufficient in each Fiscal Year to comply with the Foregoing Rate Covenant.

Relevant portions of the Bond Covenants are attached as Exhibit "C."

and commitments therefor [of PGW] shall be made pursuant to” the annual operating budget approved by the PGC.

12. PGW also filed with the PGC tariff revisions that, if implemented, would generate an additional \$52 million in annual revenues, and a proposed GCR revision that would produce an additional \$42 million in gas costs.¹⁰ PGW made these filings because, at that time, both its tariff and the Management Agreement required that any change in tariffs or rates had to be filed and approved by the PGC. The \$52 million increase in PGW’s base rates sought by PGW was determined by PGW in accordance with the “cash flow” rate making methodology and requirements contained in the Management Agreement, the Philadelphia Home Rule Charter and the bond ordinances approved by the Philadelphia City Council, and in accordance with PGW’s budget request to the PGC. It was designed not only to maintain PGW’s present financial position but to improve it over time. The GCR filing was made in accordance with Section 11 of its tariff.

13. A pre-hearing conference before a PGC hearing examiner was held on July 10, 2000 and the PGC is expected to render a decision on PGW’s budgets in October, 2000.

14. Pursuant to the provisions of Section 2212 of the Gas Choice Act, commencing July 1, 2000, PGW’s rates, terms and conditions of service became subject to the jurisdiction of the Commission and – *to the extent not inconsistent with other subsections of Section 2212* – to the provisions of the Code *other than* Chapters 11, 19 and 21 (which apply only under the

¹⁰ PGW’s GCR is a straight flow-through of gas costs, with a true-up in the following period. This makes it almost identical in nature to the process set forth in 66 Pa. C.S. §1307.

circumstances specified in Section 2212(c), which are not applicable here). The Commission has been authorized, however, “[u]pon the request of [PGW] . . . [to] suspend or waive the application to [PGW] of any provision of [Title 66] including any provision of [Chapter 22] other than this section.” 66 Pa. C. S. § 2212(c).

15. In a Pre-Hearing Memorandum Order, the PGC, through its Chief Hearing Examiner, issued an order stating that “[u]nder the provisions of Act 21-1999 which became effective July 1, 2000, the Gas Commission no longer has authority to make final, binding determinations with respect to PGW’s base rate increase request, its request to amend the tariff provisions regarding the senior discount, and the proposed FY 2001 Gas Cost Rate.” Order at 3, n.2. Consequently, PGW has determined that its need for increased revenues must be adjudicated by the Commission.

2. **PGW Has an Immediate Need for Rate Relief**

16. Present management of PGW took full control of the Gas Works on March 17 of this year. The management found a company with enormous problems. PGW’s last base rate increase had been in Fiscal Year 1992 and the financial condition of the company had eroded very significantly since then because of inflation, three consecutive abnormally warm winters and a dramatic increase in the level of long-term debt. The already tenuous financial condition of PGW deteriorated further due to the complete meltdown of its customer billing and records system in July, 1999. The City’s Gas Works Revenue Bonds have already been put on credit watch with “negative implications” by Standard & Poors (see the rating report attached as Exhibit “D” to the testimony). Without the requested rate increase, and as explained in greater detail in Mr. Knudsen’s Affidavit (attached as Exhibit “A”), neither its short term commercial

paper, which provides the working capital on which PGW has relied to keep functioning, or its limited ability to issue additional long term debt will be adequate to sustain PGW's operations.

17. Almost immediately, the new management team began a process of "Transitioning to Excellence," i.e., carefully examining the condition of the company and putting in place the reforms and revisions necessary to permit PGW to move as quickly as possible into the new competitive environment envisioned by the Gas Choice Act and, most importantly, to provide superior service to customers at the most reasonable rates possible.

18. As part of this process, the Gas Works — the largest municipally owned natural gas utility in the United States — has undertaken a host of reform efforts designed to put PGW in a position of strong financial health, in order to fulfil the commitments to its municipal bond holders, to drastically improve efficiency, to eliminate waste and unnecessary expenses, and to improve customer service and billing. PGW has a host of ongoing investigations and reviews, many of which are being conducted by nationally recognized experts, to identify the appropriate reforms to return the company to financial health, to correct the customer billing and IT problems, and to improve customer service. PGW has also agreed to and executed a Memorandum of Understanding with the Commission to accommodate the Commission's immediate concerns regarding customer service and to enable the transition to the PUC's customer dispute handling mechanisms as seamlessly as possible for all parties involved. The MOU is attached hereto as Exhibit "E." In addition, PGW is fully cooperating with the Commission's ongoing management audit and is looking forward to considering the audit recommendations as part of its ongoing "Transition to Excellence" plan.

19. A key part of the "Transition to Excellence" plan is the revision of the firm's base rates and rate structure. PGW's analysis indicates that, in the medium term, even while anticipating substantial productivity savings, PGW still needs a base rate increase to allow it adequate cash flow to meet its operating expenses and debt service requirements and to obtain access to the capital markets for financing for needed capital expenditures at reasonable rates. These steps will, in the long run, save customers far more than the immediate rate increase will cost and will have put PGW in a position where it can plan for and implement its restructuring obligations under the Gas Choice Act as quickly as possible. PGW's filing before the PGC has been distributed previously to the PUC and to all the public parties and is incorporated by reference into this petition. Part of its original \$52 million request was to permit PGW to reduce its dependence upon long and short term borrowing and improve its capital structure (which is heavily leveraged).

3. Need For Interim Rates

20. Unfortunately, the difficulties caused by inflation, warm weather and recent billing problems require not only a permanent base rate increase for PGW, but also cause urgent need for short term rate relief. Indeed, PGW's need for immediate rate help was made even more pronounced by the recent run-up in gas costs in the last two months — PGW's actual gas expenses have exceeded their budgeted level by \$10 million.

21. Specifically, PGW is in urgent need of increased rate levels in order to address a projected shortage of cash needed to fund operations that — without relief — will put the Gas Works in jeopardy of defaulting on its bond covenants that require PGW have sufficient revenue to pay all operating expenses. As Mr. Knudsen demonstrates, by January, 2001 PGW will have a

monthly cash flow deficiency of as much as \$26.1 million, or more than 1/2 of PGW's current average monthly revenues. (See Knudsen Affidavit, Attachment 1.) Just as troubling, without immediate rate assistance, PGW will find itself at the end of the fiscal year with expenditures exceeding receipts by \$113.5 million, a deficit beyond any ability of PGW to cover through borrowing and putting PGW clearly in technical default of its "operating expense" bond covenant. (See Knudsen Affidavit at 4, Att. 1) Moreover, such a deficit would rob PGW of the positive cash balance it needs in September of each year in order to purchase gas and inject it into storage to enable the Company to serve its customers in the next winter heating season. (See Knudsen Affidavit at 4, Att. 1.) Finally, without interim rate relief, PGW's bond coverage — the lowest bar there is — will just squeak above the required 1.5 level.

22. While PGW's position is improved slightly if its pending request to increase its GCR is permitted by the PUC to go into effect starting in November, 2000, the improvement only reduces the end of the year cash flow deficiency and still produces serious monthly cash flow deficiencies in January and February. It is only by allowing PGW to put in place a base rate increase of \$52 million that the end of year cash balance turns positive (\$12.1 million) by a level that is just barely adequate (See Exh. A, Att. 2) and that combined with the use of at least a portion of proceeds from new long term borrowing¹¹ (the most that is permitted) would provide PGW with sufficient cash to enable it to make gas purchases needed to prevent disaster to both the Company and its customers' next heating season. (See Exh. A at 9; Att. 2a).

¹¹ While such long-term borrowing through the sale of bonds should be available at a reasonable cost if GCR and base rates are increased adequately, such borrowing will not be available at a reasonable cost if either GCR or base rates increases of sufficient magnitude are not forthcoming.

23. Moreover, by starting the charging of higher rates in November, PGW's monthly cash deficiency is kept at a barely manageable level.¹² Moreover, these figures show the cash flow deficiency assuming normal weather. If there is a fourth consecutive warm winter or if the weather is colder than normal, these projected shortfalls would increase dramatically. Even with normal weather, however, the consequence of this level of cash flow deficit is that PGW will not be in compliance with its bond covenants, as described above, resulting in at least a technical default if not an actual default on bond covenants.

24. The above summary, as more specifically described in the accompanying Affidavit from Mr. Knudsen, graphically demonstrates PGW's need for rate relief as soon as possible. To ward off the winter and end of year cash deficiencies PGW must start receiving additional revenues as soon as possible. Unfortunately, the transition to Commission regulation has left PGW with difficult choices with respect to obtaining such relief. As indicated above, once current PGW management identified its present need it immediately prepared a request with the PGC for tariff changes that would produce the necessary additional revenue. While that request was filed on June 19, 2000 at a time when the PGC had jurisdiction to consider such requests, the PGC informed PGW that, unfortunately, the earliest it could complete such a review would be in October, 2000. Also, and as noted, the PGC has determined that, as a result of the passage of the Gas Choice Act, it no longer has jurisdiction to issue a binding decision

¹² While PGW's original base rate request was for \$52 million, because of the deterioration in its financial situation caused by the massive hike in projected gas prices this level is now only sufficient to maintain PGW's financial position at minimally adequate levels. Mr. Knudsen explains this in more detail in the attached Affidavit.

authorizing PGW to place into effect the higher rates, which are justified, concluding that only the Commission now has authority to allow such rate modifications.

25. By contrast, as of July 1, 2000, the Commission obtained jurisdiction over the PGW's tariffs, including proposals for tariff changes. Unfortunately, the Commission's standard practice for handling a base rate increase of the size and scope requested by PGW would be to follow the general rate increase provisions of Section 1308(d). This section typically requires a protracted nine month hearing and decision process that encompasses issues and relief far more than the immediate financial needs of the Company.

26. Other sections of Chapter 13 authorizing "temporary"¹³ or "extraordinary"¹⁴ rates have been used by the Commission over the years to meet specific circumstances and needs. While establishing such "temporary" rates pending the completion of a full investigation, is not unusual, the specific requirements of the temporary or extraordinary rate sections make them either less than optimal or inappropriate to deal with the urgent and unique circumstances facing PGW. Most importantly, both sections assume, implicitly or explicitly, that a utility has an ongoing prior history of regulatory oversight by the Commission and is regulated based upon the traditional "return on investment" standard used by the Commission for investor owned utilities.¹⁵ Neither is true for PGW.

¹³ 66 Pa.C.S. § 1310.

¹⁴ 66 Pa.C.S. § 1308(e).

¹⁵ Section 1310 requires a finding that temporary rates will produce no more than a five percent return on a utility's "original cost" rate base. PGW does not have an approved original cost rate base. Section 1308(e) limits an award of extraordinary rates to a level

(continued...)

27. Accordingly, PGW proposes that the Commission utilize the authority provided by section 2212 of the Code to consider the establishment of “interim rates” for the Company. The interim rate level would be designed to assure that PGW would continue to meet its minimal obligations under the bond ordinances and Management Agreement (which is also an ordinance of the City). The bond ordinances generally require that PGW must have a level of revenues sufficient to cover all of its operating expenses and to maintain net revenues after payment of net operating expenses at 1.5 times its required debt service.¹⁶ The interim rates must also assure that the Company is maintained at least in its present, minimally adequate financial position through the winter heating season. Mr. Knudsen’s Affidavit explains why an increase of \$52 million is needed immediately to ward off problems that plainly will occur in just a few months if PGW’s rates are not allowed to increase — at least on an interim basis.

28. The authority for such a procedure can be found in section 2212(c) and (d) of the Act. Section (d) grants the Commission the authority to make changes in PGW’s “prior tariff,” i.e., the tariff that existed for PGW at the time of transition to Commission oversight.¹⁷ This section provides broad discretion to make changes — either on a permanent or interim basis — as necessary to respond to the needs of the Company and its customers and to satisfy the public

¹⁵(...continued)

that would produce a return on “common equity” that is no greater than that authorized by the Commission in the utility’s last rate proceeding. This obviously cannot apply to PGW.

¹⁶ See, fn. 9, above.

¹⁷ “Nothing in this section shall prevent [PGW] from requesting or if so requested the Commission from approving, modifications to the prior tariff at any time prior to [PGW’s restructuring order].” 66 Pa.C.S. § 2212(d).

interest. To the extent that other provisions of Title 66 have specific rules or conflicting provisions the Commission is authorized to waive or suspend them at the request of PGW.¹⁸

29. Accordingly, the Commission is fully authorized to establish an expedited process to consider the establishment of “interim rates” for PGW.

30. The time line proposed by PGW (attached as Exhibit “G”) is completely justified in light of the circumstances and in light of the fact that:

(a) The interim rates will only be in place for a short, finite period of time and will be replaced with permanent rates authorized by the Commission, after a full on-the-record base rate proceeding; and

~~(b) PGW is not requesting (and will not request) that, if at the conclusion of the PGW’s base rate proceeding the Commission determines that a higher level of rates is authorized, the Company be permitted to retroactively recoup additional revenues for the period in which the interim rates were in effect; and~~

(c) As interim rates, the Commission would be authorized to consider the effect of those charges in the Company’s permanent base rate proceeding and to make appropriate adjustments, including consideration of a refund requirement; and

(d) The interim rates can be placed into effect on an “across-the-board” basis so that rate structure issues will be deferred. This will minimize the number of issues to be

¹⁸ In the only analogous experience before the PGC involving a request for expedited treatment of a proposed rate increase, the PGC granted relief approximately five weeks after PGW had filed the request. See Exhibit “F” attached hereto. The PUC is obligated, as set forth below, to follow the processes and procedures utilized by the PGC.

considered, as well as the concomitant time needed to create a record on those issues in the interim rate request.

(e) Numerous parties which would normally be expected to intervene in this proceeding have either intervened in the current Philadelphia Gas Commission proceeding, referred to above, or have been kept informed by other means of the financial and management issues at PGW.

31. Accordingly, establishing a procedure to consider granting an interim rate increase to PGW followed by a full base rate proceeding is entirely reasonable and in the public interest.

4. **Declaration of Scope and Substantive Standard Governing Interim Rate Proceeding**

32. In order to assure that the interim rate proceeding can be completed by late October, it is important that, in the process of establishing the procedural schedule, the Commission should also issue two declarations in the nature of orders in limine. First, the Commission should rule that the only issue to be considered in the expedited interim rate proceeding is the level of interim rates necessary to maintain PGW's financial status at a level where sufficient to maintain its minimal financial requirements throughout the winter heating season and the specific way that base rates should be modified to produce the interim increase. Other issues will be deferred until a full rate base hearing.

33. The second declaration in the nature of an order "in limine" would be the Commission's acknowledgment of the mandate under Sections 2212(e) and (f) of the Code: that in ruling on PGW's interim (and permanent, for that matter) rate increase request, the

Commission is obliged to utilize the same “rate making methodology and requirements” as were applied by the PGC prior to the PUC’s assumption of jurisdiction consistent with the following:¹⁹

(a) Section VII of the Management Agreement has been construed to have the effect of a statute, requiring the regulator, whether it be the PGC or the PUC, to increase the rates of PGW under the “cash flow method.” Action Alliance v. Philadelphia Gas Commission, 45 Pa.Cmwlth. 234, 241, 406 A.2d 1155, 1158. Citing Section VII, ¶ 1 of the Management Agreement, which requires rates such that PGW’s revenues be “sufficient to pay all of the operation and maintenance costs and expenses of conducting the Gas Works enterprise . . . ,” the hearing examiner in PGW’s 1999-2000 GCR proceeding referred to this requirement as the

¹⁹ Section 2212(e) of the Gas Choice Act specifically provides that, notwithstanding any other provision of the Public Utility Code, “the [PUC] shall follow the same ratemaking methodology and requirements that were applicable to [PGW] prior to the assumption of jurisdiction by the [PUC]” The “cash flow” ratemaking methodology and requirements, as we have seen, are found in Section VII, ¶ 1 of the Management Agreement. Utilizing this methodology will permit the Commission to resolve these proceedings expeditiously.

“relevant standard” for the GCR. Recommended Decision at 3.²⁰ The same standard should apply for base rates.

(b) Accordingly, to eliminate potential controversy, the PUC should declare, in limine, that the Commission should use the “cash flow” method of rate making utilized by the PGC in deciding PGW’s interim and permanent rate proceedings. Such a determination will only serve to insure the interim rate proceeding will be able to be completed in a timely manner. It does not bind the PUC to any particular result in terms of PGW’s interim or permanent rates.

²⁰ The “standard” set forth in Section VII of the Management Agreement has also been held to produce rates that are constitutionally just and reasonable. Public Advocate v. Philadelphia Gas commission, 544 pa. 129, 139, 674 A.2d 1056, 1061 (1996), where the Supreme Court stated (emphasis supplied):

The 1972 City ordinance sets forth a formula for setting rates which will produce sufficient revenue to pay PGW’s operating and maintenance expenses. See Action Alliance, supra (approved “cash flow” method established by the 1972 City ordinance as the method by which PGW could establish rates). Thus, it is presumed that the rates set in accordance with the 1972 City ordinance . . . are constitutional.

In the Public Advocate case, the Supreme Court of Pennsylvania held that the guidelines enunciated by the Supreme Court of the United States for determining whether a rate is constitutionally just and reasonable constitute the constitutional standard applicable to rates established by municipally-owned utilities such as PGW. 544 Pa. at 140-41, 674 A.2d at 1062. The “just and reasonable” standard adopted by the Supreme Court places the heavy burden of proof on those who would challenge the rate in question to show that the rate is confiscatory. Id. at 140, 674 A.2d at 1062. As stated by the Supreme Court of the United States, under the “just and reasonable” constitutional standard —

a utility is entitled to rates, not per se excessive and extortionate, sufficient to yield a reasonable rate of return upon the value of property used, at the same time it is being used, to render service.

Denver Union Stock Yard Co. v. United States, 304 U.S. 470, 475 (1938), quoted and followed in Public Advocate at 140, 624 A.2d at 1061.

5. Waiver

34. In accordance with the special provisions of § 2212(c) of the Gas Choice Act, the provisions of Chapter 13 of the Code and applicable regulations promulgated thereunder should be waived to the extent they are inconsistent with the relief requested herein.²¹

WHEREFORE, PGW respectfully requests the Commission to:

(a) establish an expedited hearing schedule culminating in a Commission decision no later than its Public Meeting on November 8, 2000 to establish interim rates for PGW effective no later than November 15, 2000, as set forth below;

(b) direct the conduct of such proceeding in a manner designed to enable the Commission to consider and determine an interim rate increase for PGW that would permit PGW to maintain a minimal, adequate level of financial health required to fund operations and meet debt service requirements through the winter heating season until the Commission can conduct and rule on a full base rate proceeding;

(c) declare that the only issue within the scope of the interim rate proceeding will pertain to investigation of the level of interim rates necessary to maintain the ability of PGW to fund its operations until the completion of a full base rate case, and

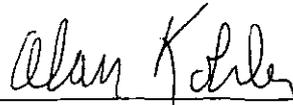
²¹ These provisions would include 66 Pa.C.S. §§ 1308 and 1310. As for the notice requirement, PGW has given notice, pursuant to the PGC's requirements. The notice distributed to all of its customers in bill inserts is attached as Exhibit "H."

(d) declare that, the Commission will utilize the rate making methodology and requirements utilized by PGC in reviewing similar requests, as mandated by section 2212(e) of the Code; and

(e) waive any provisions of the Code or Commission regulations that are inconsistent with this request.

(f) grant any other relief it determines to be in the public interest.

Respectfully submitted,



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Date: August 8, 2000

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

In Re: Petition of Philadelphia Gas Works for :
Establishment of Interim Rate Procedures : **Docket No. P-_____**
and for a Declaratory Order :

**AFFIDAVIT AND VERIFICATION
OF THOMAS KNUDSEN**

1. I, Thomas Knudsen, being first duly sworn according to law, hereby depose and say that I currently serve as the Chief Financial Officer of the Philadelphia Gas Works ("PGW") and, in that capacity, am authorized to submit this Affidavit and Verification on PGW's behalf. This Affidavit and Verification is submitted in support of PGW's Petition for Establishment of Interim Rates and for a Declaratory Order which requests the Commission to establish expedited procedures to consider and determine increased interim rates for PGW. In addition to verifying the facts in the Petition, this Affidavit provides further detail and support to justify an expedited interim rate proceeding for PGW.

2. As explained in the Petition, the Gas Choice Act provides for review of PGW rate changes utilizing the same ratemaking methodology and requirements that were applicable to PGW prior to the Commission's assumption of jurisdiction. Accordingly, it is important to understand exactly how PGW's prior rate regulation was conducted by the Philadelphia Gas Commission ("PGC" or "Gas Commission").

3. First, the Gas Commission used a fully forecasted test year. Second, the PGC used a "cash flow" method as required by ordinance. Under the Management Agreement

(attached as Exhibit "B" to the Petition) and the Bond Covenants (relevant portions of which are attached as Exhibit "C" to the Petition), the documents which define the various responsibilities of both management and the Gas Commission with regard to PGW operations (attached as Exhibit "B" to the Petition), the PGC was obligated, at a minimum, to fix rates and charges sufficient to:

- (a) pay all operation and maintenance expenses, including but not limited to depreciation, charges for employee retirement costs, charges for a management fee;
- (b) pay the interest and principal due in the fiscal year (and provide for a minimum of a 1.5X debt service coverage on long term debt);
- (c) pay all sinking fund charges payable in respect to principal and interest on all (debt) obligations;
- (d) provide for reasonable amounts of working capital;
- (e) pay general expenses;
- (f) make a payment to the owner - the City of Philadelphia - at an annual \$18 million level, and
- (g) provide for capital additions.

Section VII of the Management Agreement.¹

4. In addition, the PGC has considered additional factors in judging the long term financial stability of the Gas Works including the level of monthly and annual revenues and the income PGW needed to reduce its short and long term borrowing and to improve its credit rating

¹ Unlike rate proceedings for investor owned utilities, the Management Agreement does not provide for a return on equity or for any required profit margin in determining PGW's revenue requirement.

over time. For example, PGW's original \$52 million base rate filing at the PGC, on June 19, 2000, was intended not only to meet PGW's minimum net income/cash flow requirements for FY2001 but to also allow the company to build up internally generated funds sufficient to reduce its dependence on short and long term borrowing. The levels of debt have risen to unacceptable levels and need to be reduced to those more appropriate for a utility of its size. A more appropriate capital structure could ultimately save ratepayers millions of dollars per year.

5. When considering the short term financial status of the Company, PGC's rate-making approach necessarily focused on two key issues:

- (a) the level of net income PGW needed at the end of its fiscal year to meet the annual requirements (the coverage requirements, for example, are measured at the end of the fiscal year);
- (b) the level of cash PGW needed each month (and, indeed, each day) to be able to fund operations and pay expenses as they come due.

6. PGW's present financial position at the end of this fiscal year (August 31, 2000) is precarious. The combined effects of the warmer than normal winter of 1999-2000, continuing erosion in sales levels and the failure of the computer system, with its impact on billing and collection activities, leave PGW with the thinnest of earnings margins to meet the coverage requirement in the current fiscal period. Testimony has been offered in the budget proceeding, presently before the PGC, that the City will, if absolutely required, provide PGW a "backstop" in the event that additional "project revenues" in the form of a contribution from the City are needed.

7. More critical, however, is PGW's updated projection that it will end the fiscal year with barely \$2 million in cash. PGW has no short-term debt balance remaining upon which to draw to supplement these funds. The company has borrowed to the maximum of an allowed

\$100 million letter of credit.² This is an unprecedented position for this utility. The prior forecast of \$5 million of year-end cash balances just a few weeks ago has evaporated with the requirement to pay extraordinarily high gas costs in July and August for storage injection and gas consumption.

8. What is critical is that, at a minimum, PGW should have \$35-40 million of combined cash and borrowing capacity going into the fall period. PGW needs the liquidity because the months of September, October, and November are essentially break-even or negative months on a cash flow basis. The fiscal year-end balance must support purchases of gas for the beginning of the winter and allow the company to make a required debt service payment of approximately \$25 million on the first working day of January. Without immediate and substantial help, PGW is heading for a technical default on our first bond obligation of 2001. PGW can make it out of fiscal year 2000, but no further!

9. Looking forward a year, and as noted above, the company needs to have sufficient income to meet its bond coverage of a 1.5X multiple of the annual debt service coverage. And, as also noted above, PGW should end the year with a minimum of \$35-40 million in liquid assets. With reference to Attachment 1 to this Affidavit, the forecast shows that without rate relief or a change in the Gas Cost Rate (GCR) PGW would end the year with a negative cash position of \$113.5 million and \$97 million of short-term debt outstanding.

10. If this were to occur, PGW will have violated its bond covenants and the statutory requirements with regard to those debt issues. Violation of those covenants would likely lead to bondholder litigation and, I am told, significant impact for other large bond issuers in the

² PGW can only borrow the full amount less interest on the balance, yielding a borrowing limitation of \$97 million.

Commonwealth – the City of Philadelphia and the Commonwealth itself. It will ensure a downgrading of the bond rating, making borrowing prohibitively expensive.

11. There is a critical need for interim rates to address this dire situation. PGW filed at the PGC on June 19, 2000 for a \$52 million rate increase for which it gave appropriate notice. Assuming (1) the Company was able to start to recover the increase in gas costs as soon as possible³ and (2) an interim base rate increase in the amount of \$52 million was to start in November, we would have sufficient funds to make our debt service coverage but PGW would only end the year with \$12 million in cash, as presented in Attachment 2 .

12. In this analysis it is assumed that the gas cost rate could change in October and a base rate increase of \$52 million would be approved at the PUC's November 9, 2000 Public Meeting. In the lower of the two highlighted boxes on Attachment 2 are the month-end cash flow positions, as presently forecasted. The "Ending Balance-Cash" for each month shows that the company will experience minimally acceptable balances throughout the fall and actually end January in a negative position. At year-end, the August cash balance is the \$12 million referred to in paragraph 11.

13. The problem the Company faces is that with rate relief starting substantially after the fiscal period begins, PGW can't realize any substantial cash-flow benefits from new rates until January at the earliest. There is a substantial lag between service provided, issuance of bills, and payment of those bills under the new tariffs. Most critically, PGW will have disbursed substantial funds for high cost gas purchases well in advance of reimbursement from ratepayers.

14. There has been a major change in the last six weeks, already alluded to, which has profoundly affected the forecasts presented to the PGC. As evidenced by PGW's recent filing

³ PGW submitted its revised GCR filing to the Commission on August 2, 2000.

for a revised Gas Cost Rate with this Commission, the estimates for our fuel costs for the next fiscal period have more than doubled, from \$42 million, based on the Company's March forecast of fossil fuel prices, to \$97 million, based on the July projections.

15. The effect of this increase on PGW's financial condition cannot be underestimated. The direct impact on the operating statement is a substantial increase in the bad debt expense to recognize, through base rates, anticipated non-payment of bills with higher fuel costs. I have prepared Attachment 3 to this Affidavit which provides the annual financial forecast of operations. As shown, the Bad Debt Expense has increased from \$46 million in the June filing to \$57 million now. This increase is large because the sheer size of a 30% overall increase in charges to customers will drive low-income customers to the non-payment category as compared to the number who have been able to pay smaller bills in recent years. All else being held equal, this increase in bad debt expense suggests that PGW could justify an increased revenue requirement of \$63 million to recognize this potential charge.

16. The other reason for the need for the entire \$52 on an interim basis is that the June projections assumed that PGW would receive rate relief in September from the PGC. With an assumption of a November decision by the PUC and a delay in rate implementation of almost three months, a quarter of the benefit of a rate change is lost for next fiscal year. The original PGC filing was based on most of the rate increase being derived from an increase in the customer charge. As a result, even though September, October and November do not normally generate high heating revenues, the Company had counted on the additional revenue from the beginning of the fiscal year.

17. Other changes in circumstances in the last six weeks have heightened the need for increased interim rates. PGW was recently put on Credit Watch by Standard and Poors. See Exhibit "D" to the Petition. In fact, all three PGW rating agencies are looking to the regulatory

agencies to recognize the need for substantial rate relief and for the Commission to grant that relief. At this time, PGW is not anticipating any action on the part of Fitch and Moody's with regard to their current evaluations. However, PGW is rated two levels above junk bond status by all three groups.

18. In the short term, aggressive collection efforts will not generate the cash needed. With regard to the receivable balance, it should be noted that the Credit and Collection module of the new Customer Information System (accounts receivable) was not in place when the system went live a year ago. Sections of the module were brought on line starting in February. An aggressive collection effort began at that time and continues to date with substantial overtime being given to Collection Department personnel to contact customers. Unfortunately, because so many customers were not billed for so long a period of time, we cannot assume that those bills will be paid in this fiscal period or, in some cases, even the next. Our tariff gives customers as long to pay a bill as it took for the bill to accumulate. It should also be noted that over 60% of the accounts receivable balance is fully reserved already as uncollectible.

19. The final section of the Collection module, Write-offs, is being completed this month. By mid-August, we will substantially write-down the accounts receivable balance. PGW will also submit accounts that are almost a year old to agencies to start third party collection efforts. The company is working diligently to make in-roads into the collection problem before the fall light-up season. The parties need to be aware, however, that PGW has assumed an historic collection rate in our projections, despite the size of the increase. In effect, the projections reflect reasonable success in future collection efforts. With the Company recognizing write-offs for this fiscal period at such a late date and faced with a 30% increase in rates, management does not anticipate improving upon the historic pattern of outstanding accounts receivable balances in a material way for some time.

20. PGW cannot evade its legal obligations to the City of Philadelphia. PGW is required by ordinance and the provisions of bond indentures to make the annual payment to the City of \$18 million. The total \$90 million in City Payments over the next five years is an integral part of the City's financial plan which has been approved by the Philadelphia Intergovernmental Cooperation Authority ("PICA"). PGW is not in a position to assume any other course of action but to comply with its legal obligations in this regard.

21. The City Payment, by ordinance, is made in four even, monthly disbursements of \$4.5 million starting in February each year. In the accompanying projections, however, it is assumed that PGW will make only one payment with interest on or about June 30 next year, as the Company has in each of the last two years. For purposes of meeting our cash needs, PGW will have the use of the City Payment funds through the winter.

22. Other options usually available to provide liquidity to a utility in our position are not available in this instance. I have prepared Attachment 4 to this Affidavit which shows that for the approved compliance budget for fiscal year 2000, the costs at PGW are largely fixed in nature. Assuming management has very little flexibility to cut labor bill through the winter months leading up to labor negotiations in the spring, one can see that up to 92% of our expenses are not subject to meaningful reduction within this time-frame. The company does have some flexibility in the categories of contracted service and purchases, but not a lot.

23. The forecasts assume a very aggressive cost reduction and productivity improvement program totaling \$14 million. It is going to be very difficult to reach this target given the cost structure at PGW, but that is the goal to which the company is committed. The company and the parties cannot look to cost cutting or productivity gains in the short term as a source of cash.

24. PGW is financially vulnerable if the weather is colder or warmer than normal. In the first instance, the company will experience demand for cash to purchase gas well in excess of the levels forecast. In that event, the end-of-month negative balances for January will be larger and the December balance will turn negative from the \$7.8 million positive balance shown on Attachment 2. At least in this instance, sales will increase and the position of the Company will improve as the year progresses.

25. If the weather is warmer than normal, PGW will see a deterioration in the forecast position. The sales will have declined and the company will experience depressed earnings similar to those seen over the last three years that, in large part, created the liquidity crisis the Company is in.

26. The company needs to issue long term bonds in June or July of next year and demonstrate our ability to do so. PGW needs to sell debt to fund its capital program and, for FY2001, provide the means to meet the year-end goal of a \$35-40 million cash balance discussed in paragraph 8. Specifically, the company anticipates spending nearly \$62 million on essential capital projects in FY2001. As shown on Attachment 2a, \$40.8 million will be drawn from what is left of the existing Capital Fund balances by the end of November. Contained in the disbursement lines for each of the months of FY2001 are payments totaling \$21.5 million for capital projects. The Operating Fund can be reimbursed this amount from the proceeds of a new bond issue. Under this assumption, the year-end cash balance will be \$33.6 million. While such long-term borrowing through the sale of bonds should be available at a reasonable cost if GCR and base rates are increased adequately, such borrowing will not be available at a reasonable cost if either GCR or base rates increases of sufficient magnitude are not forthcoming.

27. PGW expects to follow this interim rate request with a request for a permanent increase in base rates. That proceeding will request an increase in the customer charge. If granted, the increase would generate funds in the summer and shoulder months and provide more of a liquidity cushion for the fall of 2001. Of course, any interim increase would be incorporated into a subsequent permanent increase.

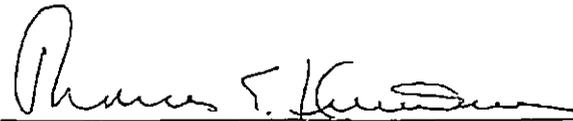
28. The assumption implicit in these projections is that the gas costs, as forecast, will remain at the current, extraordinarily high levels. The pattern in the recent past has been that management expects some softening in the markets as time goes on. Any softening will relieve some of the pressure on PGW's financial position, however, PGW cannot rely on the vagaries of the market, however,

29. To address the cash short-fall in January, as shown on Attachment 2, two actions are necessary. First, PGW will restrict spending to the greatest extent possible up to and over the end-of-year period, even beyond the efforts for cost cutting and productivity improvements discussed in paragraph 23. Second, the Mayor has indicated that he will seek the support of City Council in providing a loan to PGW as a backstop both to fill the short-fall in January, if necessary, and to cover any extraordinary demands created by weather conditions other than normal.

30. In this regard an increase in the customer charge would help protect PGW from weather conditions. While I believe an increase to the customer charge is fully justified even within the context of the interim rate proceeding, PGW has deferred all customer charge increases to its permanent base rate proceeding. While such deferral exposes PGW to the revenue effects of abnormal weather conditions, the Company is attempting to accommodate what is likely to be the concerns of the Commission and the parties in confining the interim rate proceeding to revenue requirement issues, given the need to expedite the process to put new rates

into effect as quickly as possible. This is despite the fact that an increase in the customer charge would provide much needed protection to PGW and its customers.

The facts set forth in this Affidavit and the accompanying Petition for Establishment of Interim Rate Procedures are true and correct to the best of my knowledge, information and belief. This statement is made subject to the penalties of 18 Pa. C.S. § 4904 relating to unsworn falsification to authorities.



THOMAS KNUDSEN

Chief Financial Officer

Date: Aug 8, 2000

DSH:23482.1

Normal weather 4600 degree days
 No rate increase - no GCR
 Productivity/cost savings \$10.0 million
 Beginning Cash Balance \$2.0 million

BUDGET OF CASH RECEIPTS AND DISBURSEMENTS
 FISCAL YEAR ENDING AUGUST 31, 2001

(Millions of Dollars)

| | BUDGET | BUDGET | BUDGET | BUDGET | BUDGET | BUDGET | BUDGET | BUDGET | BUDGET | BUDGET | BUDGET | BUDGET | BUDGET | TOTAL |
|---|--------|--------|---------|---------|----------|----------|----------|----------|----------|----------|----------|----------|---------|-------|
| 08/02/00 | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | June | July | Aug | | |
| OPENING BALANCE - CASH INCLUDES 97.0 | \$2.0 | \$0.5 | \$0.4 | (\$7.0) | (\$10.3) | (\$36.5) | (\$39.6) | (\$26.9) | (\$19.6) | (\$20.5) | (\$50.8) | (\$87.5) | \$2.0 | |
| RECEIPTS | | | | | | | | | | | | | | |
| Gas | 25.7 | 27.1 | 31.0 | 40.4 | 49.8 | 57.6 | 64.0 | 60.8 | 50.3 | 37.1 | 32.1 | 29.8 | 505.6 | |
| Other | 6.7 | 8.7 | 1.4 | 1.0 | 1.3 | 1.4 | 1.4 | 1.6 | 1.6 | 1.6 | 1.5 | 3.9 | 32.1 | |
| Drawn from Capital Funds - Principal \$34.8 | 12.6 | 14.1 | 8.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 34.8 | |
| Drawn from Capital Funds - Interest | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | |
| Drawn from Lease Funds - Principal \$10.3 | 0.0 | 0.0 | 0.0 | 0.0 | 6.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 6.0 | |
| Drawn from Lease Funds - Interest | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | |
| Advance (Repayment) of Capital Fund | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | |
| Pension Withdrawal | 0.6 | 3.0 | 0.0 | 5.5 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 13.6 | 0.0 | 22.7 | |
| Rate Increase | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | |
| TOTAL RECEIPTS | 45.6 | 52.9 | 40.5 | 46.9 | 57.1 | 59.0 | 65.4 | 62.4 | 51.9 | 38.7 | 47.2 | 33.7 | 601.2 | |
| TOTAL | 47.6 | 53.4 | 40.9 | 39.9 | 46.8 | 22.5 | 25.7 | 35.5 | 32.3 | 18.2 | -3.6 | -53.9 | 603.2 | |
| DISBURSEMENTS | | | | | | | | | | | | | | |
| Labor | 11.5 | 12.0 | 13.1 | 13.2 | 10.8 | 10.7 | 11.2 | 10.1 | 11.3 | 11.0 | 10.6 | 11.3 | 136.8 | |
| Natural Gas | 25.8 | 27.2 | 24.7 | 26.6 | 34.9 | 37.6 | 30.8 | 30.6 | 29.7 | 28.7 | 25.8 | 25.4 | 347.8 | |
| Debt Service | 0.0 | 3.9 | 0.0 | 0.1 | 25.9 | 2.7 | 0.0 | 4.0 | 1.7 | 1.4 | 37.9 | 13.3 | 90.9 | |
| TXCP: Interest | 0.0 | 0.1 | 0.0 | 0.1 | 0.2 | 0.4 | 0.2 | 0.6 | 0.4 | 0.2 | 0.0 | 0.0 | 2.2 | |
| City Fee | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 18.2 | 0.0 | 0.0 | 18.2 | |
| Other Disbursements | 9.8 | 9.9 | 10.1 | 10.2 | 11.5 | 10.8 | 10.4 | 9.8 | 9.7 | 9.5 | 9.6 | 9.6 | 120.8 | |
| TOTAL DISBURSEMENTS | 47.1 | 53.1 | 47.9 | 50.2 | 83.3 | 62.2 | 52.6 | 55.1 | 52.8 | 69.0 | 83.9 | 59.6 | 716.7 | |
| MONTHLY CASH FLOW | (1.5) | (0.1) | (7.4) | (3.3) | (26.1) | (3.2) | 12.8 | 7.2 | (0.9) | (30.3) | (36.7) | (25.9) | (115.5) | |
| CUMULATIVE CASH FLOW | (1.5) | (1.6) | (9.0) | (12.3) | (38.5) | (41.6) | (28.9) | (21.6) | (22.5) | (52.8) | (89.5) | (115.5) | | |
| OPENING TXCP | 97.0 | 97.0 | 97.0 | 97.0 | 97.0 | 97.0 | 97.0 | 97.0 | 97.0 | 97.0 | 97.0 | 97.0 | 97.0 | |
| TXCP ISSUED DURING MONTH | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | |
| TXCP ISSUED PAID DOWN DURING MONTH | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | |
| ENDING TXCP | 97.0 | 97.0 | 97.0 | 97.0 | 97.0 | 97.0 | 97.0 | 97.0 | 97.0 | 97.0 | 97.0 | 97.0 | 97.0 | |
| OPENING BALANCE - CASH | 2.0 | 0.5 | 0.4 | (7.0) | (10.3) | (36.5) | (39.6) | (26.9) | (19.6) | (20.5) | (50.8) | (87.5) | 2.0 | |
| MONTHLY CASH FLOW | (1.5) | (0.1) | (7.4) | (3.3) | (26.1) | (3.2) | 12.8 | 7.2 | (0.9) | (30.3) | (36.7) | (25.9) | (115.5) | |
| NET TXCP ACTIVITY MONTHLY | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | |
| ENDING BALANCE - CASH | 0.5 | 0.4 | (7.0) | (10.3) | (36.5) | (39.6) | (26.9) | (19.6) | (20.5) | (50.8) | (87.5) | (113.5) | (113.5) | |
| EST CASH POSITION NET OF TXCP (PEAK DAY) | | | | | | | | | | | | | | |
| CASH POSITION NET OF TXCP | (96.5) | (96.6) | (104.0) | (107.3) | (133.5) | (136.6) | (123.9) | (116.6) | (117.5) | (147.8) | (184.5) | (210.5) | (210.5) | |

Normal weather 4600 degree days
 Rate increase - 11/10 Volumetric & GCR 10/15
 Productivity/cost savings \$10.0 million
 Beginning Cash Balance \$2.0 million

BUDGET OF CASH RECEIPTS AND DISBURSEMENTS
 FISCAL YEAR ENDING AUGUST 31, 2001
 (Millions of Dollars)

| | BUDGET | BUDGET | BUDGET | BUDGET | BUDGET | TOTAL |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|--------------|--------------|--------------|-------------|--------------|
| 08/04/00 | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | June | July | Aug | |
| OPENING BALANCE - CASH INCLUDES 97.0 RECEIPTS | \$2.0 | \$2.0 | \$2.2 | \$3.5 | \$7.8 | (\$6.6) | \$7.3 | \$39.2 | \$62.6 | \$76.5 | \$57.0 | \$29.4 | \$2.0 |
| Gas | 28.1 | 28.9 | 34.2 | 47.9 | 59.6 | 68.9 | 76.7 | 70.9 | 60.0 | 44.2 | 37.7 | 35.1 | 592.0 |
| Other | 6.7 | 8.7 | 1.4 | 1.0 | 1.3 | 1.4 | 1.4 | 1.6 | 1.6 | 1.6 | 1.5 | 3.9 | 32.1 |
| Drawn from Capital Funds - Principal \$34.8 | 11.6 | 12.6 | 10.6 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 34.8 |
| Drawn from Capital Funds - Interest | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Drawn from Lease Funds - Principal \$10.3 | 0.0 | 0.0 | 3.0 | 0.0 | 3.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 6.0 |
| Drawn from Lease Funds - Interest | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Advance (Repayment) of Capital Fund | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Pension Withdrawal | 0.6 | 3.0 | 0.0 | 5.5 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 13.6 | 0.0 | 22.7 |
| Rate Increase | 0.0 | 0.0 | 0.0 | 0.0 | 5.0 | 5.8 | 6.4 | 6.0 | 5.2 | 3.9 | 3.4 | 3.3 | 39.1 |
| TOTAL RECEIPTS | 47.0 | 53.2 | 49.2 | 54.4 | 68.9 | 76.1 | 84.5 | 78.5 | 66.7 | 49.7 | 56.2 | 42.2 | 72.0 |
| TOTAL | 49.0 | 55.2 | 51.4 | 57.9 | 76.7 | 69.5 | 91.8 | 117.7 | 129.3 | 126.2 | 113.3 | 71.6 | 728.6 |
| DISBURSEMENTS | | | | | | | | | | | | | |
| Labor | 11.5 | 12.0 | 13.1 | 13.2 | 10.8 | 10.7 | 11.2 | 10.1 | 11.3 | 11.0 | 10.6 | 11.3 | 136.8 |
| Natural Gas | 25.8 | 27.2 | 24.7 | 26.6 | 34.9 | 37.6 | 30.8 | 30.6 | 29.7 | 28.7 | 25.8 | 25.4 | 347.8 |
| Debt Service | 0.0 | 3.9 | 0.0 | 0.1 | 25.9 | 2.7 | 0.0 | 4.0 | 1.7 | 1.4 | 37.9 | 13.3 | 90.9 |
| TXCP: Interest | 0.0 | 0.1 | 0.0 | 0.1 | 0.2 | 0.4 | 0.2 | 0.6 | 0.4 | 0.2 | 0.0 | 0.0 | 2.2 |
| City Fee | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 18.2 | 0.0 | 0.0 | 18.2 |
| Other Disbursements | 9.7 | 9.8 | 10.1 | 10.2 | 11.5 | 10.8 | 10.4 | 9.8 | 9.7 | 9.6 | 9.6 | 9.5 | 120.6 |
| TOTAL DISBURSEMENTS | 47.0 | 53.0 | 47.9 | 50.2 | 83.3 | 62.2 | 52.6 | 55.1 | 52.8 | 69.1 | 83.9 | 59.5 | 716.5 |
| MONTHLY CASH FLOW | 0.0 | 0.2 | 1.3 | 4.2 | (14.4) | 13.9 | 31.9 | 23.4 | 13.9 | (19.5) | (27.6) | (17.2) | 10.1 |
| CUMULATIVE CASH FLOW | 0.0 | 0.2 | 1.5 | 5.8 | (8.6) | 5.3 | 37.2 | 60.6 | 74.5 | 55.0 | 27.4 | 10.1 | |
| OPENING TXCP | 97.0 | 97.0 | 97.0 | 97.0 | 97.0 | 97.0 | 97.0 | 97.0 | 97.0 | 97.0 | 97.0 | 97.0 | 97.0 |
| TXCP ISSUED DURING MONTH | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| TXCP ISSUED PAID DOWN DURING MONTH | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| ENDING TXCP | 97.0 | 97.0 | 97.0 | 97.0 | 97.0 | 97.0 | 97.0 | 97.0 | 97.0 | 97.0 | 97.0 | 97.0 | 97.0 |
| OPENING BALANCE - CASH | 2.0 | 2.0 | 2.2 | 3.5 | 7.8 | (6.6) | 7.3 | 39.2 | 62.6 | 76.5 | 57.0 | 29.4 | 2.0 |
| MONTHLY CASH FLOW | 0.0 | 0.2 | 1.3 | 4.2 | (14.4) | 13.9 | 31.9 | 23.4 | 13.9 | (19.5) | (27.6) | (17.2) | 10.1 |
| NET TXCP ACTIVITY MONTHLY | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| ENDING BALANCE - CASH | 2.0 | 2.2 | 3.5 | 7.8 | (6.6) | 7.3 | 39.2 | 62.6 | 76.5 | 57.0 | 29.4 | 12.1 | 12.1 |
| EST CASH POSITION NET OF TXCP (PEAK DAY) | | | | | | | | | | | | | |
| CASH POSITION NET OF TXCP | (95.0) | (94.8) | (93.5) | (89.2) | (103.6) | (89.7) | (57.8) | (34.4) | (20.5) | (40.0) | (67.6) | (84.9) | (84.9) |

Normal weather 4600 degree days
 Rate increase - 11/10 Volumetric & GCR 10/15
 Productivity/cost savings \$10.0 million
 Beginning Cash Balance \$2.0 million
 Bond Sale June-July 2001

BUDGET OF CASH RECEIPTS AND DISBURSEMENTS
 FISCAL YEAR ENDING AUGUST 31, 2001
 (Millions of Dollars)

| | BUDGET | BUDGET | BUDGET | BUDGET | BUDGET | BUDGET | BUDGET | BUDGET | BUDGET | BUDGET | BUDGET | BUDGET | TOTAL |
|---|--------|--------|--------|--------|---------|---------|--------|--------|--------|--------|--------|--------|--------|
| 08/04/00 | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | June | July | Aug | |
| OPENING BALANCE - CASH INCLUDES 97.0 RECEIPTS | \$2.0 | \$2.0 | \$2.2 | \$3.5 | \$7.8 | (\$6.6) | \$7.3 | \$39.2 | \$62.6 | \$76.5 | \$57.0 | \$40.4 | \$2.0 |
| Gas | 28.1 | 28.9 | 34.2 | 47.9 | 59.6 | 68.9 | 76.7 | 70.9 | 60.0 | 44.2 | 37.7 | 35.1 | 592.0 |
| Other | 6.7 | 8.7 | 1.4 | 1.0 | 1.3 | 1.4 | 1.4 | 1.6 | 1.6 | 1.6 | 1.5 | 3.9 | 32.1 |
| Drawn from Capital Funds - Principal \$34.8 | 11.6 | 12.6 | 10.6 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 11.0 | 10.5 | 56.3 |
| Drawn from Capital Funds - Interest | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Drawn from Lease Funds - Principal \$10.3 | 0.0 | 0.0 | 3.0 | 0.0 | 3.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 6.0 |
| Drawn from Lease Funds - Interest | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Advance (Repayment) of Capital Fund | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Pension Withdrawal | 0.6 | 3.0 | 0.0 | 5.5 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 13.6 | 0.0 | 22.7 |
| Rate Increase | 0.0 | 0.0 | 0.0 | 0.0 | 5.0 | 5.8 | 6.4 | 6.0 | 5.2 | 3.9 | 3.4 | 3.3 | 39.1 |
| TOTAL RECEIPTS | 47.0 | 53.2 | 49.2 | 54.4 | 68.9 | 76.1 | 84.5 | 78.5 | 66.7 | 49.7 | 67.2 | 52.7 | 748.0 |
| TOTAL | 49.0 | 55.2 | 51.4 | 57.9 | 76.7 | 69.5 | 91.8 | 117.7 | 129.3 | 126.2 | 124.3 | 93.1 | 750.1 |
| DISBURSEMENTS | | | | | | | | | | | | | |
| Labor | 11.5 | 12.0 | 13.1 | 13.2 | 10.8 | 10.7 | 11.2 | 10.1 | 11.3 | 11.0 | 10.6 | 11.3 | 136.8 |
| Natural Gas | 25.8 | 27.2 | 24.7 | 26.6 | 34.9 | 37.6 | 30.8 | 30.6 | 29.7 | 28.7 | 25.8 | 25.4 | 347.8 |
| Debt Service | 0.0 | 3.9 | 0.0 | 0.1 | 25.9 | 2.7 | 0.0 | 4.0 | 1.7 | 1.4 | 37.9 | 13.3 | 90.9 |
| TXCP: Interest | 0.0 | 0.1 | 0.0 | 0.1 | 0.2 | 0.4 | 0.2 | 0.6 | 0.4 | 0.2 | 0.0 | 0.0 | 2.2 |
| City Fee | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 18.2 | 0.0 | 0.0 | 18.2 |
| Other Disbursements | 9.7 | 9.8 | 10.1 | 10.2 | 11.5 | 10.8 | 10.4 | 9.8 | 9.7 | 9.6 | 9.6 | 9.5 | 120.6 |
| TOTAL DISBURSEMENTS | 47.0 | 53.0 | 47.9 | 50.2 | 83.3 | 62.2 | 52.6 | 55.1 | 52.8 | 69.1 | 83.9 | 59.5 | 716.5 |
| MONTHLY CASH FLOW | 0.0 | 0.2 | 1.3 | 4.2 | (14.4) | 13.9 | 31.9 | 23.4 | 13.9 | (19.5) | (16.6) | (6.7) | 31.6 |
| CUMULATIVE CASH FLOW | 0.0 | 0.2 | 1.5 | 5.8 | (8.6) | 5.3 | 37.2 | 60.6 | 74.5 | 55.0 | 38.4 | 31.6 | |
| OPENING TXCP | 97.0 | 97.0 | 97.0 | 97.0 | 97.0 | 97.0 | 97.0 | 97.0 | 97.0 | 97.0 | 97.0 | 97.0 | 97.0 |
| TXCP ISSUED DURING MONTH | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| TXCP ISSUED PAID DOWN DURING MONTH | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| ENDING TXCP | 97.0 | 97.0 | 97.0 | 97.0 | 97.0 | 97.0 | 97.0 | 97.0 | 97.0 | 97.0 | 97.0 | 97.0 | 97.0 |
| OPENING BALANCE - CASH | 2.0 | 2.0 | 2.2 | 3.5 | 7.8 | (6.6) | 7.3 | 39.2 | 62.6 | 76.5 | 57.0 | 40.4 | 2.0 |
| MONTHLY CASH FLOW | 0.0 | 0.2 | 1.3 | 4.2 | (14.4) | 13.9 | 31.9 | 23.4 | 13.9 | (19.5) | (16.6) | (6.7) | 31.6 |
| NET TXCP ACTIVITY MONTHLY | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| ENDING BALANCE - CASH | 2.0 | 2.2 | 3.5 | 7.8 | (6.6) | 7.3 | 39.2 | 62.6 | 76.5 | 57.0 | 40.4 | 33.6 | 33.6 |
| EST CASH POSITION NET OF TXCP (PEAK DAY) | | | | | | | | | | | | | |
| CASH POSITION NET OF TXCP | (95.0) | (94.8) | (93.5) | (89.2) | (103.6) | (89.7) | (57.8) | (34.4) | (20.5) | (40.0) | (56.6) | (63.4) | (63.4) |

PHILADELPHIA GAS WORKS
STATEMENT OF INCOME
(Dollars in Thousands)

| | | 6/19 Filing | Revised | 6/19 Filing | 8/2/00 | 8/8/00 |
|--|-------------------|-------------------|-------------------|------------------|------------------|------------------|
| | Actual | Estimate | Estimate | Budget | Volume 12/01 | Volume 11/10 |
| | 1998-99 | 1999-2000 | 1999-2000 | 2000-01 | 2000-01 | 2000-01 |
| | | | | | Revised | Revised |
| | | | | | Budget | Budget |
| OPERATING REVENUES | | | | | | |
| Non-Heating | \$69,375 | \$89,529 | \$88,602 | \$106,778 | \$112,544 | \$112,544 |
| Gas Transport Service | 3,376 | 3,483 | 3,370 | 3,509 | 3,656 | 3,656 |
| Heating | 390,242 | 422,867 | 430,389 | 463,816 | 505,101 | 505,101 |
| Proposed Base Rate Increase | - | - | - | 52,000 | 46,380 | 46,335 |
| Marginal Revenue Loss Weather | - | - | - | (4,000) | (4,000) | (4,000) |
| Change in Senior Citizen Discount | - | - | - | 1,500 | 1,500 | 1,500 |
| Unbilled Adjustment | (349) | (201) | (201) | 1,500 | 2,400 | 2,400 |
| Total Gas Revenues | 462,644 | 515,678 | 522,160 | 625,103 | 667,581 | 667,536 |
| Appliance Repair & Bill Paid Turn-Ons | 14,635 | 12,098 | 12,473 | 13,233 | 13,233 | 13,233 |
| Other Operating Revenues | 9,606 | 9,250 | 9,250 | 11,115 | 11,915 | 11,915 |
| Total Other Operating Revenues | 24,241 | 21,348 | 21,723 | 24,348 | 25,148 | 25,148 |
| Total Operating Revenues | \$486,885 | \$537,026 | \$543,883 | \$649,451 | \$692,729 | \$692,684 |
| OPERATING EXPENSES | | | | | | |
| Natural Gas | \$219,081 | \$252,986 | \$261,621 | \$294,593 | \$349,068 | \$349,068 |
| Other Raw Material | 9 | 10 | 10 | 10 | 10 | 10 |
| Sub-Total Fuel | 219,090 | 252,996 | 261,631 | 294,603 | 349,078 | 349,078 |
| CONTRIBUTION MARGINS | \$267,795 | \$284,030 | \$282,252 | \$354,848 | \$343,651 | \$343,606 |
| Gas Processing | 13,881 | 13,775 | 14,106 | 13,835 | 13,825 | 13,825 |
| Field Services | 35,090 | 33,092 | 33,521 | 33,061 | 33,061 | 33,061 |
| Distribution | 15,527 | 14,038 | 14,082 | 13,601 | 13,601 | 13,601 |
| Customer Affairs | 27,044 | 29,009 | 28,759 | 31,208 | 31,208 | 31,208 |
| Bad Debt Expense | 39,000 | 44,000 | 48,000 | 46,000 | 57,000 | 57,000 |
| Marketing & Point-of-Sale Expenses | 5,253 | 4,373 | 3,680 | 6,713 | 6,713 | 6,713 |
| Administrative & General | 34,681 | 40,350 | 40,350 | 43,830 | 43,830 | 43,830 |
| Health Insurance | 23,432 | 24,375 | 24,375 | 25,290 | 25,290 | 25,290 |
| Capitalized Fringe Benefits | (4,896) | (5,258) | (5,008) | (5,333) | (5,333) | (5,333) |
| Capitalized Administrative Charges | (7,243) | (5,855) | (5,605) | (6,815) | (6,815) | (6,815) |
| Regulatory Asset Amortization | 3,156 | 3,750 | 3,750 | 3,750 | 3,750 | 3,750 |
| Amortization of Restructuring Costs | 965 | 965 | 965 | 965 | 965 | 965 |
| Year 2000 & Deregulation Amortization | 882 | 888 | 888 | 888 | 888 | 888 |
| Pensions | 787 | 1,119 | 1,119 | 1,376 | 1,376 | 1,376 |
| Taxes | 6,091 | 6,674 | 6,674 | 6,548 | 6,548 | 6,548 |
| Amortization of Non-Recurring IT Costs | - | - | (4,000) | - | - | - |
| Personnel Reductions/Retirements | - | - | - | (2,500) | (2,500) | (2,500) |
| Cost Savings/Productivity Improvements | - | - | - | (10,000) | (10,000) | (10,000) |
| Sub-Total Other Oper. & Maintenance | 193,650 | 205,295 | 205,656 | 202,417 | 213,407 | 213,407 |
| Depreciation | 31,106 | 32,169 | 32,169 | 33,381 | 33,381 | 33,381 |
| Cost of Removal | 2,671 | 2,500 | 2,500 | 2,500 | 2,500 | 2,500 |
| To Clearing Accounts | (4,702) | (3,545) | (3,545) | (3,344) | (3,344) | (3,344) |
| TOTAL OPERATING EXPENSES | \$441,815 | \$489,415 | \$498,411 | \$529,557 | \$595,022 | \$595,022 |
| OPERATING INCOME | 45,070 | 47,611 | 45,472 | 119,894 | 97,707 | 97,662 |
| Other Income | 8,263 | 16,782 | 16,782 | 5,774 | 5,274 | 5,274 |
| INCOME BEFORE INTEREST | \$53,333 | \$64,393 | \$62,254 | \$125,668 | \$102,981 | \$102,936 |
| INTEREST | | | | | | |
| Long-Term Debt | \$46,990 | \$49,256 | \$49,256 | \$47,871 | \$47,871 | \$47,871 |
| Other | 4,802 | 6,270 | 6,270 | 6,102 | 6,102 | 6,102 |
| AFUDC | (201) | (500) | (500) | (355) | (355) | (355) |
| Loss From Extinguishment of Debt | 3,992 | 4,311 | 4,311 | 4,162 | 4,162 | 4,162 |
| Total Interest | 55,583 | 59,337 | 59,337 | 57,780 | 57,780 | 57,780 |
| NET INCOME | (2,250) | 5,056 | 2,917 | 67,888 | 45,201 | 45,156 |
| City Payment | 18,000 | 18,000 | 18,000 | 18,000 | 18,000 | 18,000 |
| Net Earnings | (\$20,250) | (\$12,944) | (\$15,083) | \$49,888 | \$27,201 | \$27,156 |

PHILADELPHIA GAS WORKS
CASHFLOW STATEMENT
(Dollars In Thousands)

| | | 6/19 Filing | Revised | 6/19 Filing | 8/2/00 | 8/8/00 |
|---|------------------|------------------|------------------|------------------|------------------|------------------|
| | Actual | Estimate | Estimate | Budget | Volume 12/1 | Volume 11/10 |
| | <u>1998-99</u> | <u>1999-2000</u> | <u>1999-2000</u> | <u>2000-01</u> | <u>2000-01</u> | <u>2000-01</u> |
| SOURCES | | | | | | |
| Net Income | (\$2,250) | \$5,056 | \$2,917 | \$67,888 | \$45,201 | \$45,156 |
| Depreciation & Amortization | 38,500 | 40,638 | 40,638 | 42,827 | 42,827 | 42,827 |
| Earnings on Restricted Funds | (197) | 994 | 994 | - | - | - |
| Impact of Refunded Debt Service | 282 | 548 | 548 | - | - | - |
| Increased/(Decreased) Other Liabilities | 7,966 | 7,274 | 7,274 | 2,833 | 2,833 | 2,833 |
| Available From Operations | 44,301 | 54,510 | 52,371 | 113,548 | 90,861 | 90,816 |
| Funds Required for Capital | 47,363 | 68,223 | 68,223 | 34,820 | 34,820 | 34,820 |
| Capital Leasing | 2,438 | 2,228 | 2,228 | 6,000 | 6,000 | 6,000 |
| Temporary Financing | 19,000 | 22,000 | 22,000 | - | - | - |
| TOTAL SOURCES | <u>\$113,102</u> | <u>\$146,961</u> | <u>\$144,822</u> | <u>\$154,368</u> | <u>\$131,681</u> | <u>\$131,636</u> |
| USES | | | | | | |
| Net Construction Expenditures | \$68,087 | \$50,959 | \$46,959 | \$62,293 | \$62,293 | \$62,293 |
| Funded Debt Reduction: | | | | | | |
| Revenue Bonds | 33,625 | 33,595 | 33,595 | 34,192 | 34,192 | 34,192 |
| PMA Lease/Subordinate Debt | 965 | 1,020 | 1,020 | 1,065 | 1,065 | 1,065 |
| Capital Lease | 6,084 | 6,538 | 6,538 | 6,901 | 6,901 | 6,901 |
| Notes Payable - CNG Acquisition | 207 | 219 | 219 | 59 | 59 | 59 |
| Temporary Financing Repayment | | | | | | |
| Distribution of Earnings | 18,000 | 18,000 | 18,000 | 18,000 | 18,000 | 18,000 |
| Additions To (Reductions of) | | | | | | |
| Non-Cash Working Capital | (20,071) | 47,245 | 44,219 | (8,823) | (520) | (520) |
| Cash Needs | 106,897 | 157,576 | 150,550 | 113,687 | 121,990 | 121,990 |
| Cash Surplus (Shortfall) | 6,205 | (10,615) | (5,728) | 40,681 | 9,691 | 9,646 |
| TOTAL USES | <u>\$113,102</u> | <u>\$146,961</u> | <u>\$144,822</u> | <u>\$154,368</u> | <u>\$131,681</u> | <u>\$131,636</u> |
| Cash - Beginning of Period | \$9,883 | \$16,088 | \$8,214 | \$5,473 | \$2,486 | \$2,486 |
| Cash - Surplus (Shortfall) | 6,205 | (10,615) | (5,728) | 40,681 | 9,691 | 9,646 |
| ENDING CASH | <u>\$16,088</u> | <u>\$5,473</u> | <u>\$2,486</u> | <u>\$46,154</u> | <u>\$12,177</u> | <u>\$12,132</u> |
| Internally Generated Funds | \$18,286 | (\$19,492) | (\$23,492) | \$21,473 | \$21,473 | \$21,473 |
| Outstanding Commercial Paper | \$75,000 | \$97,000 | \$97,000 | \$97,000 | \$97,000 | 97,000 |

PHILADELPHIA GAS WORKS
DEBT SERVICE COVERAGE
(Dollars in Thousands)

| | Actual | 6/19 Filing Estimate | Revised Estimate | 6/19 Filing Budget | 8/2/00 Volume 12/1 Revised Budget | 8/8/00 Volume 11/10 Revised Budget |
|--|----------------|-------------------------|---------------------|-----------------------|--|---|
| | <u>1998-99</u> | <u>1999-2000</u> | <u>1999-2000</u> | <u>2000-01</u> | <u>2000-01</u> | <u>2000-01</u> |
| FUNDS PROVIDED | | | | | | |
| Total Gas Revenues | \$462,644 | \$515,678 | \$522,160 | \$625,103 | \$667,581 | \$667,536 |
| Other Operating Revenues | 24,241 | 21,348 | 21,723 | 24,348 | 25,148 | 25,148 |
| Total Operating Revenues | 486,885 | 537,026 | 543,883 | 649,451 | 692,729 | 692,684 |
| Other Income Less Restricted Funds | 8,066 | 17,776 | 17,776 | 5,774 | 5,274 | 5,274 |
| AFUDC (Interest) | 201 | 500 | 500 | 355 | 355 | 355 |
| TOTAL FUNDS PROVIDED | \$495,152 | \$555,302 | \$562,159 | \$655,580 | \$698,358 | \$698,313 |
| FUNDS APPLIED | | | | | | |
| Fuel Costs | 219,090 | 252,996 | 261,631 | 294,603 | 349,078 | 349,078 |
| Other Operating Costs | 222,725 | 236,419 | 236,780 | 234,954 | 245,944 | 245,944 |
| Total Operating Expenses | 441,815 | 489,415 | 498,411 | 529,557 | 595,022 | 595,022 |
| PMA Lease Cost | - | - | - | - | - | - |
| \$20.1M Capital Lease Cost | 3,884 | 3,991 | 3,991 | 3,980 | 3,980 | 3,980 |
| \$23M Capital Lease Cost | 3,998 | 3,997 | 3,997 | 3,997 | 3,997 | 3,997 |
| Less: Non-Cash Expenses | 34,831 | 36,257 | 36,257 | 37,569 | 37,569 | 37,569 |
| TOTAL FUNDS APPLIED | \$414,866 | \$461,146 | \$470,142 | \$499,965 | \$565,430 | \$565,430 |
| Funds Available to Cover Debt Service | \$80,286 | \$94,156 | \$92,017 | \$155,615 | \$132,928 | \$132,883 |
| Add-back Lease Costs | 7,882 | 7,988 | 7,988 | 7,977 | 7,977 | 7,977 |
| Funds Available Excluding Lease Costs | \$88,168 | \$102,144 | \$100,005 | \$163,592 | \$140,905 | \$140,860 |
| 1975 Ordinance Bonds Debt Service | \$57,741 | \$59,345 | \$59,345 | \$51,611 | \$51,611 | \$51,611 |
| Debt Service Coverage 1975 Bonds | 1.53 | 1.72 | 1.69 | 3.17 | 2.73 | 2.73 |
| Net Available after Prior Debt Service | \$30,427 | \$42,799 | \$40,660 | \$111,981 | \$89,294 | \$89,249 |
| PMA & Other Capital Leases | 7,882 | 7,988 | 7,988 | 7,977 | 7,977 | 7,977 |
| Net Available after Prior Capital Leases | \$22,545 | \$34,811 | \$32,672 | \$104,004 | \$81,317 | \$81,272 |
| 1998 Ordinance Bonds Debt Service | \$14,230 | \$21,659 | \$21,659 | \$29,449 | \$29,449 | \$29,449 |
| Debt Service Coverage New Bonds | 1.58 | 1.61 | 1.51 | 3.53 | 2.76 | 2.76 |
| Net Available after New Debt Service | \$8,315 | \$13,152 | \$11,013 | \$74,555 | \$51,868 | \$51,823 |
| 1998 Ordinance Subordinate Bond Debt Ser | \$1,988 | \$1,987 | \$1,987 | \$1,990 | \$1,990 | \$1,990 |
| Debt Service Coverage Subordinate Bond | 4.18 | 6.62 | 5.54 | 37.46 | 26.06 | 26.04 |

Annual weather related price fluctuations
 No rate increase
 No productivity/cost savings
 Beginning Cash Balance \$ 5 million

BUDGET FOR CASH RECEIPTS AND DISBURSEMENTS
 FISCAL YEAR ENDING AUGUST 31, 2001

(Millions of Dollars)

| | BUDGET | BUDGET | BUDGET | BUDGET | BUDGET | BUDGET | BUDGET | BUDGET | BUDGET | BUDGET | BUDGET | BUDGET | BUDGET | TOTAL |
|---|--------|--------|--------|--------|--------|---------|--------|--------|--------|--------|--------|---------|--------|---------|
| (08/1999) | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | June | July | Aug | | |
| OPENING BALANCE - CASH INCLUDING 97.0 TXCP RECEIPTS | \$0.5 | \$8.0 | \$11.1 | \$9.8 | \$11.1 | (\$1.7) | \$7.7 | \$30.4 | \$48.4 | \$56.7 | \$37.2 | \$1.3 | | \$0.5 |
| Gas | 28.3 | 29.8 | 34.1 | 44.4 | 54.9 | 61.4 | 70.6 | 66.9 | 55.4 | 40.8 | 35.3 | 32.7 | | 556.5 |
| Other | 6.7 | 8.7 | 1.4 | 1.0 | 1.3 | 1.4 | 1.4 | 1.6 | 1.6 | 1.8 | 1.5 | 3.9 | | 32.1 |
| Drawn from Capital Funds - Principal \$34.8 | 11.6 | 11.6 | 11.6 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | 34.8 |
| Drawn from Capital Funds - Interest | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | 0.0 |
| Drawn from Lease Funds - Principal \$10.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | 6.0 |
| Drawn from Lease Funds - Interest | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | 0.0 |
| Advance (Repayment) of Capital Fund | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | 0.0 |
| Pension Withdrawal | 5.0 | 3.0 | 0.0 | 5.5 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 13.6 | 0.0 | | 27.1 |
| Rate Increase | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | 0.0 |
| TOTAL RECEIPTS | 51.6 | 53.1 | 47.1 | 50.9 | 62.2 | 64.8 | 72.0 | 68.5 | 57.0 | 42.4 | 50.4 | 36.6 | | 656.5 |
| TOTAL | 52.0 | 61.1 | 58.2 | 60.7 | 75.1 | 63.1 | 79.7 | 98.9 | 105.3 | 99.1 | 87.8 | 37.9 | | 656.9 |
| DISBURSEMENTS | | | | | | | | | | | | | | |
| Labour | 11.5 | 17.0 | 13.1 | 13.2 | 10.8 | 10.7 | 11.2 | 10.1 | 11.3 | 11.0 | 10.6 | 11.3 | | 136.8 |
| Natural Gas | 22.6 | 24.0 | 25.0 | 23.5 | 28.1 | 29.8 | 28.5 | 24.8 | 24.3 | 25.2 | 21.9 | 19.3 | | 295.0 |
| Debt Service | 0.0 | 3.9 | 0.0 | 0.1 | 25.9 | 2.7 | 0.0 | 4.0 | 1.7 | 1.4 | 37.9 | 13.3 | | 80.9 |
| TXCP Interest | 0.0 | 0.1 | 0.0 | 0.1 | 0.2 | 0.4 | 0.2 | 0.6 | 0.4 | 0.2 | 0.0 | 0.0 | | 2.2 |
| City Fee | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 18.2 | 0.0 | 0.0 | | 18.2 |
| Other Disbursements | 10.0 | 10.1 | 10.3 | 10.7 | 12.0 | 11.8 | 11.4 | 11.0 | 10.9 | 10.8 | 10.9 | 11.0 | | 130.8 |
| TOTAL DISBURSEMENTS | 44.1 | 50.1 | 48.4 | 47.6 | 77.0 | 55.4 | 49.3 | 50.5 | 48.6 | 66.8 | 81.3 | 54.9 | | 673.9 |
| MONTHLY CASH FLOW | 7.5 | 3.1 | (1.3) | 3.3 | (14.8) | 9.4 | 22.7 | 18.0 | 8.3 | (24.5) | (30.9) | (18.3) | | (17.4) |
| CUMULATIVE CASH FLOW | 7.5 | 10.6 | 9.3 | 12.7 | (2.2) | 7.1 | 30.0 | 47.9 | 56.2 | 31.8 | 0.9 | (17.4) | | |
| OPENING TXCP | 97.0 | 97.0 | 97.0 | 97.0 | 97.0 | 97.0 | 97.0 | 97.0 | 97.0 | 97.0 | 97.0 | 97.0 | | 97.0 |
| TXCP ISSUED DURING MONTH | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | 0.0 |
| TXCP ISSUED PAID DOWN DURING MONTH | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | 0.0 |
| ENDING TXCP | 97.0 | 97.0 | 97.0 | 97.0 | 97.0 | 97.0 | 97.0 | 97.0 | 97.0 | 97.0 | 97.0 | 97.0 | | 97.0 |
| OPENING BALANCE - CASH | 0.5 | 8.0 | 11.1 | 9.8 | 11.1 | (1.7) | 7.7 | 30.4 | 48.4 | 56.7 | 37.2 | 1.3 | | 0.5 |
| MONTHLY CASH FLOW | 7.5 | 3.1 | (1.3) | 3.3 | (14.8) | 9.4 | 22.7 | 18.0 | 8.3 | (24.5) | (30.9) | (18.3) | | (17.4) |
| NET TXCP ACTIVITY MONTHLY | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | 0.0 |
| ENDING BALANCE - CASH | 8.0 | 11.1 | 9.8 | 13.1 | (1.7) | 7.7 | 30.4 | 48.4 | 56.7 | 32.2 | 1.3 | (18.3) | | (18.9) |
| EST CASH POSITION NET OF TXCP (PEAK DAY) | | | | | | | | | | | | | | |
| CASH POSITION NET OF TXCP | (89.0) | (85.9) | (87.2) | (83.9) | (98.7) | (89.3) | (66.6) | (48.6) | (40.3) | (64.8) | (95.7) | (113.9) | | (113.9) |

AGREEMENT

Between

THE CITY OF PHILADELPHIA

AND

THE PHILADELPHIA FACILITIES
MANAGEMENT CORPORATION

FOR THE MANAGEMENT AND OPERATION
OF THE PHILADELPHIA GAS WORKS

PRINTING DATE: January, 1996
Original Agreement Dated December 29, 1972
Includes Amendments Through December 31, 1995

Original Agreement between the City of Philadelphia and the Philadelphia Facilities Management Corporation was executed on December 29, 1972, for the management and operation of the Philadelphia Gas Works, pursuant to an Ordinance of City Council, approved December 29, 1972 (Bill #455), and to Resolutions of the Board of Directors of the Corporation adopted at a meeting held on December 13, 1972.

Agreement amended, pursuant to an Ordinance of City Council, approved December 14, 1973 (Bill #1021), relating to gas rate discount for Senior Citizens.

Agreement amended, pursuant to an Ordinance of City Council, approved May 30, 1975 (Bill #1870), relating to Gas Works Revenue Bonds.

Agreement amended, pursuant to an Ordinance of City Council, approved November 1, 1976 (Bill #396), relating to Company's management fee.

Agreement amended, pursuant to an Ordinance of City Council, approved June 22, 1978 (Bill #1410), relating to Temporary financing.

Agreement amended, pursuant to an Ordinance of City Council, approved April 10, 1979 (Bill #1374), relating to Company's management fee.

Agreement amended, pursuant to an Ordinance of City Council, approved June 11, 1979 (Bill #1948), relating to Management personnel provided by company; production purchase and delivery of gas; paving requirements; natural gas standards; heating value standards; attendance at meetings; classification of service; definitions and indemnifications.

Agreement amended, pursuant to an Ordinance of City Council, approved September 5, 1980 (Bill #319), relating to Company's management fee.

Agreement amended, pursuant to an Ordinance of City Council, approved September 5, 1980 (Bill #320), relating to Company's management fee.

Agreement amended, pursuant to an Ordinance of City Council, approved September 5, 1980 (Bill #321), relating to Gas Works Temporary Loan Notes.

Agreement amended, pursuant to an Ordinance of City Council, approved June 23, 1981 (Bill #750), relating to Temporary Financing.

Agreement amended, pursuant to an Ordinance of City Council, approved September 22, 1982 (Bill #1315), relating to change in fiscal year basis.

Agreement amended, pursuant to an Ordinance of City Council, approved December 3, 1982 (Bill #1314), relating to Temporary Financing.

Agreement amended, pursuant to an Ordinance of City Council approved April 11, 1990 (Bill #737), relating to compensation.

Agreement amended, pursuant to an Ordinance of City Council approved December 28, 1995 (Bill #1256), relating to Company's management fee.

Marginal notes are not part of the agreement, but are provided for convenience of use.

AGREEMENT made this 29th day of December, 1972,
by and between the CITY OF PHILADELPHIA (hereinafter
called "City"), and PHILADELPHIA FACILITIES
MANAGEMENT CORPORATION, a corporation organized
and existing under the laws of the State of Pennsylvania
(hereinafter called "Company").

Parties and dates

WITNESSETH:

WHEREAS, the City is the owner of a group of real
and personal assets known as the Philadelphia Gas Works
("Gas Works"); and

WHEREAS, the City desires to provide quality gas
services to its citizens at reasonable rates; and

WHEREAS, the Company is a non-profit corporation
organized for the specific purpose of operating the
Philadelphia Gas Works.

NOW, THEREFORE, the parties to this Agreement,
intending to be legally bound, agree as follows:

SECTION I

General

1. The City hereby authorizes Company on the
terms and conditions herein set forth to manage and
operate all the property, real and personal, collectively
known as the Gas Works, for the sole and exclusive benefit
of City; provided, however, City may retrieve from the Gas
Works any property or equipment which City determines to
be unnecessary to the efficient and economic operation of
the Gas Works.

*Authority to
manage and operate
PCW property*

*City may retrieve
surplus property or
equipment*

2. City, to the extent that it has or shall have the authority or power so to do, authorizes and empowers Company to maintain, change, alter, replace, repair and operate the Gas Works and appurtenances along and beneath the surfaces of the highways, streets, avenues, lanes, alleys, ways and public places in City, for the supply and distribution of gas, subject to provisions hereinafter set forth. For these purposes Company may enter upon, occupy and open all said highways, streets, avenues, lanes, alleys, ways and public places, and supply and distribute gas through pipes laid therein.

Right to enter highways

3. During the term of this Agreement, Company will maintain the Gas Works for the sole and exclusive benefit of the City, including all additions, extensions, betterments, and improvements made thereto, in good order and efficient operating condition. Upon termination of this Agreement by expiration of the term or by any other means, City, its agents, servants, or employees shall be entitled without further payment to Company to use all processes established at the Gas Works for the manufacture or distribution of gas of any type or kind. To the extent that use of any such process is authorized by a contract with a third party, City may at its option either continue the use of such process in accordance with the terms of such contract or may discontinue use of such process.

Company to maintain Gas Works

City's use of processes upon termination

4. Company shall not assign or subcontract this Agreement or any rights hereunder to any person or corporation, nor delegate any duties hereunder.

Agreement not assignable

5. Company's primary obligation shall be to apply the highest standards of management practice and diligence to the operation of the Gas Works.

Highest management standards -

"Recommendations" in the Ordinance.

6. Company shall provide the following personnel for the operation of the Gas Works:

*Management
personnel provided
by Company*

- (a) a chief executive officer;
- (b) a chief operating officer;
- (c) a chief financial officer; and
- (d) such other personnel as deemed appropriate by Company.

All such personnel shall be subject to the approval of the Gas Commission, which approval shall not be unreasonably withheld. In the event the Gas Commission fails to approve any such personnel they shall be replaced by approved personnel forthwith.

*Personnel subject to
Gas Commission
approval*

7. Company shall file semi-annual reports with the Gas Commission setting forth all salaries, fringe benefits, expenses and costs incurred by Company in carrying out its duties and responsibilities under the terms and conditions of this Agreement.

*Company to file
semi-annual reports*

SECTION II

Production, Purchase and Delivery of Gas

1. The Company shall take all reasonable steps to insure that the capacity of the Gas Works to manufacture, provide and distribute gas is at all times sufficient for the estimated maximum requirements of gas users in the City of Philadelphia.

*Capacity shall
meet requirements*

2. Company may purchase natural gas or other gas from other parties pursuant to contracts and agreements for such purchases which are first submitted to the Gas Commission for its recommendations and approved by City Council; except that in temporary or emergency situations, Company may purchase natural or other gas from other parties and then seek the approval for such purchase or purchases from the Gas Commission and City Council within 30 days after the initiation of such purchase. In the event such temporary purchase shall be disapproved such supply if continuing shall immediately terminate. Company shall have the right to contract with others for the distribution and/or transmission of such gas to the Gas Works or its facilities which are ancillary, attendant or related in any manner to purchase of gas after such contracts are first submitted to the Gas Commission for its recommendations and approved by City council.

Approval of purchase of gas

Approval of natural gas delivery facilities

3. Company, to the extent permitted by the lawfully constituted authorities, may enlarge or extend the facilities for the distribution of gas to an agreed-upon customer meter location as may be necessary to meet the demand for gas. In any situation where such enlargement or extension of the Gas Works' facilities will place an unreasonable financial burden upon the then existing customers, in view of the anticipated revenues to be expected from such enlargement or extension Company shall make reasonable charges for the same as defined from time to time in Company regulations which are approved by the Gas Commission.

Charges to customers for extensions

4. The intention of this Agreement is that all changes, additions, extensions, betterments, improvements, alterations and replacements in the Gas Works and in the mains, pipes and appurtenances thereof, and in the property needed to meet the demands for gas as herein provided, shall be made in such a way and manner as shall maintain the Gas Works in good order and condition with the best and most economical processes in use that are customary in the best regulated gas works, to the extent permitted by funds available for said purposes.

Company shall maintain Gas Works in good order

5. All openings, excavations and repaving shall be made subject to such general rules, regulations, specifications, ordinances and such Acts of Assembly as may apply, as from time to time shall be in force concerning the opening, excavation and repaving of streets and the protection of travel along the same, and the trenches shall be refilled and repaved with the same material and character of paving as before they were opened, unless otherwise ordered by the Streets Commissioner. Refilling and making opening safe for traffic shall be completed by Company within five (5) days after the pipe, services, or mains have been laid, and said repaving shall be completed, weather permitting, within sixty (60) days thereafter.

Paving requirements

6. All ordinances, rules and regulations of City regulating the safety of the piping and fixtures of houses or buildings shall be binding upon Company.

Safety regulations

SECTION III

Standards of Gas

1. *General*

Company may supply straight natural gas in accordance with the standards provided for in the General Terms and Conditions of the supplier Company's Tariffs on file with the Federal Energy Regulatory Commission and incorporated by reference in the Agreements for the purchase of natural gas, to which the Company, City and Supplier companies are parties. Also for supplemental purposes, the Company may, as necessary, supply other gases interchangeable and compatible with natural gas.

Natural gas standards

Interchangeable supplemental gases

2. *Testing--Facilities and Inspection*

Adequate facilities for testing the heating value and purity of the gas shall be provided at the Gas Works' expense and equipped with calorimeters for continuously determining the heating value of the gas, apparatus for determining presence of sulphureted hydrogen in the gas, apparatus for determining total sulphur content, apparatus for determining total ammonia content, apparatus for determining specific gravity of the gas and such other apparatus customary and necessary for such purposes, or which will be found to improve the rapidity and accuracy of such testing.

Plant testing facilities

The location of testing facilities shall be selected by Company, and approved by Gas Commission.

Location of testing facilities

The design and accuracy of all testing apparatus when desired by City, Gas Commission or Company shall be certified by the United States Bureau of Standards.

Certification of test equipment

Standards and tests specified herein may be changed and altered from time to time as recommended by Company and approved by Gas Commission.

Change in standards and tests

City and Gas Commission shall have the right at all times by its proper officers, during the term of this Agreement, to test the quality and pressure of gas. Full facilities for these purposes shall be afforded by Company. All such tests shall be made in the presence of a representative of Company. Accurate written records of such test shall be maintained by Company.

City and Gas Commission have right to inspect

3. *Heating Value--Requirements And Determination*

The monthly average total heating value of the gas, when determined as provided below, shall not be less than 950 British Thermal Units per cubic foot, measured at a temperature of 60° Fahrenheit and a pressure of 30 inches of mercury.

Heating value standards

The daily average total heating value shall not differ from the monthly average total heating value to such extent as to interfere with the satisfactory functioning of consumer appliances.

The total heating value of the gas shall be continuously recorded daily unless prevented by circumstances beyond the Company's control.

Daily recording

The monthly average total heating value of the gas shall be the average of the daily averages of the total heating value for that month.

Average monthly value

The daily average total heating value shall be the average of 24-hourly readings.

Average daily value

4. *Purity--Requirements and Determination*

Sulphureted Hydrogen--The gas shall contain not more than a trace of sulphureted hydrogen. The gas shall be considered to contain not more than a trace of sulphurated hydrogen if a strip of white filter paper moistened with a solution containing five per cent by weight of lead acetate is not distinctly darker than a second paper freshly moistened in the same solution after the first paper has been exposed to the gas for one and one-half minutes in an apparatus of approved form through which the gas is flowing at the rate of approximately 5 cubic feet per hour, the gas not impinging directly from a jet upon the test paper.

Sulphureted hydrogen

Total sulphur--The gas shall contain in each 100 cubic feet not more than 30 grains of total sulphur.

Sulphur

Ammonia--The gas shall contain in each 100 cubic feet not more than 5 grains of ammonia.

Ammonia

5. *Pressure Regulations*

Company shall maintain pressures throughout the City within limits compatible with the satisfactory utilization of gas and as more fully defined in the Rules and Regulations* of the Company's Tariff and as approved from time to time by the Gas Commission.

Gas pressure requirements

Company shall take pressure readings continuously in representative locations throughout the City, which readings shall be available to representatives of City and the Gas Commission upon request for a period of one year prior to the date of such request, or in compliance with the rules issued from time to time by the Gas Commission.

Pressure readings

Gas Commission may order Company by written notice to adjust pressures to acceptable limits for satisfactory utilization of gas, and due diligence shall be employed by Company to adjust pressures at such points to within such acceptable limits. If compliance with the order of the Gas Commission shall require the installation of new apparatus or mains, Company shall be allowed six (6) months, after the necessary financing has been secured to obtain permits for opening of streets and for the laying of the mains and the installation of the necessary apparatus.

Adjustments of pressures

Delay in compliance

SECTION IV

Accounting Methods; Operating Budget and Forecast; Capital Budget and Forecast; Temporary Financing and Financial Statements

1. *Accounting Methods*

(a) *In General*

The accounts and reporting shall be on the accrual methods in which the accounting for depreciation shall be as described in subsection 1(b) herein.

Accounting to be on accrual method

The Gas Works revenues and expenses shall be operated and accounted for an extended period basis from July 1, 1981 to August 31, 1981, and on a fiscal year basis commencing September 1, 1982 and terminating August 31, 1983 and from September 1 to August 31 from year to year thereafter. Accounting shall be employed to show separately the operating accounts and the capital accounts. Operating and capital accounts shall follow generally the classifications specified by the Public Utility Commission of Pennsylvania, expanded or altered, as required by the Director of Finance to portray the special charges and special accounting prescribed in this agreement.

*Fiscal year
September 1 to
August 31*

*Accounting to follow
PUC*

(b) Depreciation

There shall be established and maintained a reserve for depreciation reasonably estimated to be adequate to care for the retirement (due to exhaustion, wear and tear and obsolescence) of property at original cost. The amount necessary to be credited to the reserve each year for such purposes shall be charged to operations.

*Depreciation on
original cost*

(c) Employee Retirement Costs

There shall be provided for and charged to operations annually retirement cost for retired employees and employees still in service on the following basis:

For retired employees, the amount necessary to meet current payments to them under their retirement schedules.

Retired employees

An additional amount, as determined by the Director of Finance, shall be placed in a retirement fund to be held and invested by the Sinking Fund Commission. Such additional amount shall be determined by the Director of Finance after taking into consideration the current payrolls, the retirement schedules then in effect applicable to various classes of employees and the extent to which it appears desirable and reasonable to build up such fund in current and future years.

Pension fund

To this end, the Director of Finance at appropriate times shall obtain competent actuarial advice and shall have available at all times a report made within the immediately preceding five (5) years by a competent actuary based upon an actuarial investigation of the pertinent factors with the costs to be paid by the Gas Works. Payment out of such funds shall be subject to the approval of the Director of Finance as to amounts and when and how payable.

Any proposed change in the retirement plan, schedule or system recommended by Company first shall be transmitted to the Director of Finance for his approval and then transmitted to City Council for its approval, for which purpose there shall be made available to the City Council an appropriate actuarial report prepared under the direction of the Director of Finance.

Retirement plan changes

No employee of Company shall be entitled to be paid a retirement or separation allowance unless and until he can establish his direct and immediate and exclusive connection as such employee with the Gas Works whether under the present operator or former operator.

Employee eligibility for pensions

All such retirement and separation allowances which are paid during the continuance of this agreement and the terms of which, as so approved, require their continued payment after its termination, shall be thereafter paid by City, or City shall cause the same to be paid by any person succeeding to the operation of the Gas Works.

Obligation of City to continue to pay pensions

2. Budgets

(a) Operating Budget and Forecast

There shall be prepared annually an operating budget for the ensuing year and an operating forecast for four (4) years comprising the ensuing year and the three (3) years next following.

Operating budget

Such budget and forecast shall be prepared by Company with the aid of the Director of Finance; shall be consistent with the accounting methods prescribed in Section IV (1); and in general shall be in form and extent satisfactory to the Director of Finance and Gas Commission. The operating budget and forecast shall be subject to the approval of the Gas Commission.

Approval of operating budget by Gas Commission

(b) Capital Budget and Forecast

There shall be prepared annually a proposed capital budget for the ensuing year and a forecast for six (6) years comprising the ensuing year and the five (5) years next following. Such budget and forecast shall be prepared by Company; shall be consistent with the accounting methods prescribed in Section IV (1); and in general be in form and extent satisfactory to the Director of Finance and the Gas Commission.

Capital budget

The proposed budget and forecast first shall be transmitted to the Director of Finance and the Gas Commission for their recommendations thereon. The Director of Finance and Gas Commission shall transmit such budget and forecast together with their recommendations thereon to City Council for its approval. The submission of the proposed budget and forecast to the Director of Finance and Gas Commission by Company shall be made in sufficient time for their review and for the Director of Finance and Gas Commission in turn to submit the said budget and forecast together with their recommendations thereon to City Council no later than the middle of the fourth month preceding the beginning of the Gas Works' fiscal year, so that City Council may act on it at least thirty (30) days prior to the next ensuing fiscal year.

Approval of capital budget by City Council

The capital budget and forecast shall include a showing of the nature of the proposed capital additions and replacements, the amounts needed therefor and how the funds required are to be supplied as between--

Nature of capital items

(i) funds generated within the business through charges to customers or otherwise; and

(ii) funds to be obtained through capital loans.

Capital loans

At any time during the fiscal year, or before the budget accounts are closed for the year, the division between (i) and (ii) above may, if conditions so warrant, be changed or the total thereof increased upon recommendation of the Director of Finance and the Gas Commission and upon approval by City Council.

Approval of changes

In the event that capital loans are required in any year under (ii) above, plans therefor shall be submitted to the Director of Finance for approval of the amount of loan and the method of effecting it, and then transmitted to City Council for its approval.

Approval of capital loans

(c) Expenditures Pursuant to Budgets

All expenditure and commitments therefor shall be made pursuant to such approved budgets and subject to rules and regulations, if any, promulgated by the Gas Commission in connection therewith.

Gas Commission rules regulate expenditures

3. Temporary Financing

Short-term loans not exceeding twenty million dollars in amount or twelve months in duration may be negotiated in anticipation of revenues, except that short-term loans exceeding twenty million dollars but not exceeding forty-five million dollars in amount may be negotiated in anticipation of revenues for Fiscal Year 1982 of the Gas Works and may be outstanding during the period July 1, 1981 through June 30, 1982. If such loans are required, plans therefor shall be submitted to the Gas Commission and the Director of Finance for approval of amount of loan. The amount of any such loan shall also be subject to the approval by resolution or by ordinance of City Council.

Approval of short term loans

The Gas Works may also receive temporary advances from the City in anticipation of revenues which are anticipated to be received by the Gas Works provided that such advances do not exceed twenty million dollars in amount or twenty-four months in duration; provided further, however, that during the period June 30, 1981 through June 30, 1983, such advances may exceed twenty million dollars but shall not exceed forty-five million dollars in amount. The amount of each such advance shall be subject to the prior approval of the Director of Finance and the Gas Commission and to the approval by resolution or by ordinance of City Council.

In addition to the foregoing authorized borrowings, loans not exceeding one hundred million dollars in aggregate principal amount at any time outstanding may be incurred for financing accounts receivable and the purchase of inventory for the Gas Works, as authorized by applicable law. If such loans are required, plans therefor shall be submitted to the Gas Commission and the Director of Finance for approval of the aggregate principal amount of such loans which may be outstanding at any single time. Such aggregate principal amount shall also be subject to approval by resolution or by ordinance of City Council.

4. Financial Statements

Company shall within a reasonable time after the close of the Gas Works' fiscal year furnish to the Mayor, the Gas Commission, the City Controller, the City Solicitor, the Director of Finance and City Council a financial statement of such year in form and extent satisfactory to the Director of Finance and Gas Commission. Such financial statement shall be audited by a certified public accountant in accordance with generally accepted accounting principles.

Furnishing of financial statements by Company

CPA to audit financial statement

All books, records and accounts of the Gas Works shall be kept separate and apart from all other books, records and accounts of Company. The City Controller and the Director of Finance and Gas Commission may examine or cause to be examined the books, records and accounts of Gas Works for the purpose of auditing and reporting upon

Books, records and accounts of PGW to be kept separate

such financial statement to the Mayor, the Gas Commission, the City Council, the City Solicitor and the Director of Finance; and the Director of Finance, Gas Commission and the City Controller shall at all times hereafter, for such purpose or for the purpose of ascertaining any facts in relation to the operation of the Gas Works and the performance of the obligations of Company, have full and free access at all reasonable hours to the related books, records and accounts of Gas Works.

*City controller,
Director of Finance
and Gas Commission
may audit books*

Company shall furnish the Mayor, the Gas Commission, the City Controller, the City Solicitor, the Director of Finance and City Council with copies of regular interim financial or operating reports, prepared for periods within the fiscal year, which any such parties may reasonably request.

*Furnishings of
regular interim
reports by company*

SECTION V

Insurance; Eminent Domain

1. Insurance

Company shall insure against loss the buildings, machinery, and equipment and other property of the Gas Works and other risks to the Gas Works, all of which shall be insured to the extent that such property and risks of gas companies are usually insured except that the Gas Commission may provide otherwise in its discretion.

*Adequate insurance
to be provided*

2. Eminent Domain

In the event that Company shall be lawfully required to remove or reconstruct any portion of the Gas Works, or to acquire additional land or property therefor, in consequence of the taking of any of the land or property of the said Gas Works by the United States, the State of Pennsylvania or the City of Philadelphia, in the exercise of the right of eminent domain, or for any other reason whatsoever, the cost and expense thereof shall be accorded appropriate accounting treatment.

*Exercise of right of
eminent domain*

SECTION VI

Gas Commission

1. The Gas Commission as it is presently constituted shall be retained.

Retained

2. The Gas Commission shall consist of the City Controller, two members appointed by City Council and two members appointed by the Mayor.

Membership

3. The members of the Gas Commission appointed by the Mayor shall be designated for four year terms to hold office until their successors are appointed and qualified. The City Controller shall hold office during his incumbency and until his successor has been elected and qualified. The members of the Gas Commission appointed by City Council shall be designated for four year terms, to hold office until their successors are appointed and qualified. The terms of all members of the Gas Commission shall terminate if this agreement is terminated by either party prior to the expiration of their respective terms.

Terms of office

4. Members of the Gas Commission shall receive compensation as fixed by City Council from time to time.

Compensation

5. The Gas Commission shall have the power and authority to obtain such professional services and to employ experts, consultants and such other personnel as in its judgment shall be deemed necessary, their compensation and expenses to be considered an operating expense of the Gas Works.

Power to hire experts

6. A statement of the expenses of the Gas Commission shall be filed annually by the Gas Commission with the City Controller and copies thereof transmitted to the Mayor, the City Solicitor, the Director of Finance and City Council.

Statement of expenses to be filed annually

7. Company shall keep the Gas Commission fully informed of its plans for operation, improvement, extension and betterment of the Gas Works.

Company to keep Gas Commission fully informed

8. The Gas Commission shall hold regular meetings and shall conduct all Commission business thereat. The City Solicitor and the Director of Finance or their designates or deputies shall and the Chief Executive Officer of the Gas Works or his designates may attend all such meetings of the Gas Commission.

Regular meetings

9. The Gas Commission shall have the responsibility for the overseeing of the operation of the Gas Works by the Company. All power not specifically granted to the Company shall reside in the Gas Commission.

Responsibility, powers, and duties

SECTION VII

Gas Rates

1. The Gas Commission shall fix and regulate rates and charges for supplying gas to customers, other than the City and the Board of Education, without further authorization of City Council, which (together with revenues for gas supplied to the City and to the Board of Education and other revenues of the Gas Works qualifying as "project revenues" as such term is defined in Section 2 of The First Class City Revenue Bond Act) will, in each fiscal year produce revenues, at a minimum:

Gas commission shall fix rates

"Project Revenues"

First Class City Revenue Bond Act

(a) Sufficient to pay all of the operation and maintenance costs and expenses of conducting the Gas Works enterprise and to pay the interest and amortization becoming due in such fiscal year on debt incurred for the Gas Works, including, but not limited to:

*Rates to include
Operating and
maintenance costs
Interest and
amortization on
debt*

(i) Charges for depreciation as prescribed in Section IV 1. (b);

Depreciation

(ii) Charges for employees' retirement costs as prescribed in Section IV 1. (c);

Retirement costs

(iii) A management fee to Company equal to the actual cost to Company of managing the Gas Works but not to exceed the sum of:

Management Fee

(A) The amount needed to pay or provide for the payment of base salaries for the Chief Executive Officer, chief Operating Officer and Chief financial Officer and to pay the other expenses of the Company, not to exceed the following amounts for the specified fiscal years:

Salaries

| | |
|--------|-----------|
| FY1996 | \$700,000 |
| FY1997 | \$725,000 |
| FY1998 | \$750,000 |
| FY1999 | \$775,000 |
| FY2000 | \$800,000 |

FY2001 and thereafter The prior fiscal year's maximum amount adjusted to reflect the percentage change in the Consumer Price Index for All Urban Consumer (CPI-U) All Items Index, Philadelphia, Pennsylvania, United States Department of Labor, Bureau of Labor Statistics, as most recently published and available to the Director of Finance on March 1 of each such fiscal year; and

(B) Incentive compensation, if any, awarded to Company management at the discretion of Company's Board of Directors, in total amount not to exceed \$150,000 per annum and in an amount per employee not to exceed \$75,000 per annum. Incentive compensation shall be payable only pursuant to performance standards established, and performance measured against such standards, by the Board of Directors of the Company. The performance standards shall include standards which the Board of Directors determines, from time to time, to be important for the improved operations of the Gas Works such as the achievement of the Gas Works' financial plan, customer service, billing and collection efficiencies and development of new revenues (other than from general rate increases).

*Incentive
compensation.*

The Gas Works shall reimburse Company against vouchers on the first day of each calendar month for monies expended for the operation of the Gas Works in the previous calendar month.

(iv) Expenses of the Gas Commission; and

*Gas Commission
expenses*

(v) All sinking fund charges payable in respect of principal and interest on all obligations of the City issued for or with respect to the Gas Works and, with respect to Gas Works Revenue Bonds issued pursuant to The First Class City Revenue Bond Act, such additional amount as may be required to comply with any rate covenant and sinking fund reserve requirement approved by ordinance of City Council in connection with the authorization or issuance of Gas Works Revenue Bonds.

*Sinking fund
charges in
connection with Gas
Works Revenue
Bonds*

(b) Sufficient also (together with the excess on a cumulative basis of internally generated funds available for the purposes set forth below in this subparagraph (b) of prior years beginning after June 30, 1974, to the extent that such excess shall not have been applied to such purposes and shall be available for the payment of general expenses of such fiscal year and, subject and subordinate to the payment or provision for payment of all operation and maintenance costs and all sinking fund and sinking fund reserve

General expenses

requirements as set forth in subparagraph (a) of this subsection 1., together with the excess funds provided by revenues of such fiscal year not required for such purposes):

(i) To make base payments to the City in the aggregate annual *principal* amount of \$18,000,000 payable in the amount of \$4,500,000 on each February 1, March 1, April 1 and May 1, provided that the Gas Works may defer this payment to any time between said due date and June 30 of each year in which event it shall be assessed interest on the principal amount of prevailing rates, to be determined by the Director of Finance and the Gas Works, from the said due date of the date of payment or such different amounts at such different times, not greater in annual aggregate principal amount, as City Council shall prescribe;

Payments to City

(ii) To provide appropriations, to the extent not otherwise provided, for prepayment of debt and for capital additions which have been determined by the Gas Commission to be reasonable and which have been approved by City Council; and

Debt reduction and capital additions

(iii) To provide cash, or equivalent, for working capital in such reasonable amounts as may be determined by Company to be necessary and as shall be approved by the Gas Commission.

Working capital

(c) Anything to the contrary herein contained notwithstanding, Company may continue to budget and report revenues and expenses in the form and by the methods heretofore used and the Gas Works shall continue to pay out of its revenues all of the expenses set forth in this subsection 1, and all other expenses necessary and proper to the operation of the Gas Works, excepting only the Company's own personnel and administrative costs which are payable out of the management fee.

Non-cash expenses included in estimates of revenue requirements

For the purposes of clauses (a) and (b) of this subsection 1., to the extent that operating expenses do not represent an actual outflow of funds (e.g., depreciation) such amount may be included in ascertaining whether revenues are sufficient to meet other costs, expenses and requirements of said clauses (a) and (b). Company shall at all times to the extent of its authority observe and comply with all terms, covenants and provisions of all ordinances enacted by City Council relating to the Gas Works including without limitation, ordinances enacted pursuant to The First Class City Revenue Bond Act authorizing Gas Works Revenue Bonds.

Company to comply with terms of City Council ordinances

2. Upon any change in the rates for gas, the Gas Commission, at least thirty (30) days prior to the effective date thereof, shall notify City Council and give public notice by advertisement once in one or more daily newspapers having a circulation of at least 10,000 published in the City of Philadelphia, of the rates for gas to be charged.

Public notice of rate change

3. Company shall furnish to the City and the Board of Education, delivered in their various public buildings along the lines of its mains, such amounts of gas as may be required by the City or the said Board. Rates for gas for such public purposes shall be established from time to time by the Gas Commission upon the recommendations of Company and subject to approval by City Council.

Gas Rates for municipal purposes

4. In connection with any gas rate study or matter related thereto, Company shall furnish the Gas Commission such data as may reasonably be required therefor.

Company to furnish rate data to Gas Commission

5. In the determination of rate schedules for gas, the Gas Commission shall establish and apply non-discriminatory rates based on suitable and reasonable classification of the services provided, taking into consideration the preparation of such schedules, the nature and purpose of the use, the quantity* used, the time of year when used, the available supply of gas and other competing fuels, the maximum demand, and such other factors, including state, and federal laws, regulations or guide lines,

Non-discriminatory rates

Classification of service

* "quantity" in the Ordinance

as may be appropriate to the economics of the purchase, manufacture, distribution and sale of gas and consistent with the intent and purpose of this ordinance and/or Agreement. Such rates may provide for sufficient revenue to stabilize them over a reasonable number of years.

6. If conditions warrant, the Company shall pay to the City, but only from any excess described in clause (b) of subsection 1. of this Section VII, such amounts, in addition to those set forth in clause (b) (i) of subsection 1. of this Section VII, as may be determined and agreed upon by the Gas Commission and City Council.

Additional city payments

7. The Gas Commission is authorized to establish rates for gas users authorizing a reduction in gas rates, in the amount of 20% of charges for non-heating and heating purposes to his residence, for any individual 65 years of age or older, residing in the City of Philadelphia, who directly makes payment to the operator of the Gas Works for gas services at his residence. In order to qualify for any rate reduction a person must first apply to the Philadelphia Gas Works for a rate reduction at least thirty days before the next scheduled meter reading. The reduction shall then take effect at the start of the succeeding billing period.

Senior Citizen rate

8. Notwithstanding any provisions to the contrary contained herein, no payments will be made to the City under subparagraph (b) of Paragraph 1 or under Paragraph 6 of this Section VII until the \$20,000,000 Gas Works Temporary Loan Note, Series of 1980, of the City has been paid in full with interest.

Temporary Loan Notes

SECTION VIII

Purchases and Sales of Non-Gas Items

1. Except in the purchase of unique articles or articles which for any other reason cannot be obtained in the open market, competitive bids shall be secured, pursuant to

procurement standards adopted and promulgated by the Gas Commission, before any purchase, by contract or otherwise, is made or before any contract is awarded for material and supplies, construction, alterations, repairs or maintenance or for rendering any services to Company other than professional services or for the purchase of any other item, thing or service, and the purchase shall be made from or the contract shall be awarded to the lowest responsible bidder.

Purchases to be made by competitive bids

2. All residuals and by-products from operations; unserviceable property or equipment shall be sold to the highest responsible bidder pursuant to standards adopted and promulgated by the Gas Commission in a manner similar to that required for awards of contracts for the purchase of goods and services.

Gas Commission to set purchasing standards

Residuals to be sold to highest responsible bidder

3. All acquisitions, sales and leases of real estate proposed by or for the Gas Works by Company shall be submitted to the Gas Commission for its action and approval, and shall be submitted to City Council for its approval by ordinance.

Real estate transactions to be approved by Gas Commission and City Council

SECTION IX

Legal Services

The Law Department of the City of Philadelphia shall be the legal advisor for the Gas Commission and the Gas Works. It shall supervise, direct, and control all of the law work of the Gas Commission and the Gas Works including, but not limited to, litigation or other legal representation, investigation, and drafting of documents including contracts, bonds and all other legal instruments for the Gas Commission and the Gas Works.

Law Department legal advisor for Gas Commission and PGW

Duties of Law Department

The City Solicitor shall determine whether legal services for the Gas Works shall be performed by other counsel, and in such event he shall designate such counsel and the compensation therefor in his sole discretion.

City Solicitor shall designate other counsel

All legal services rendered, by the Law Department and by other special legal counsel, to the Gas Commission and to the Gas Works shall be billed to the Gas Works and shall be payable out of gas revenues.

PGW shall pay for legal services

SECTION X

Company's Obligations During Disputes

No disputes between City and Company concerning any of the terms or provisions of this Agreement shall release Company from its obligations to manufacture, provide and supply gas in accordance with the terms and provisions hereof during the existence of this Agreement.

Disputes between City and Company

SECTION XI

Definitions

The following terms are defined for purposes of this Agreement as set forth below:

1. *Director of Finance* - The Director of Finance of the City of Philadelphia.
2. *City Solicitor* - The City Solicitor of the City of Philadelphia.
3. *City Contraller* - The City Contraller of the City of Philadelphia.
4. *Mayor* - The Mayor of the City of Philadelphia.

5. *City Council* - The City Council of the City of Philadelphia.

6. *Streets Commissioner* - The Commissioner of the Department of Streets of the City of Philadelphia.

7. *Gas Works* - All of the property, both personal and real, including mains and pipes, which together constitute the plant and equipment of the Philadelphia Gas Works.

8. *Non-Gas Items* - Non-gas items include but are not limited to every tangible or intangible article, item or thing except natural gas and substitute natural gas.

SECTION XII

Term

The term of this Agreement shall be for a period of two (2) years commencing January 1, 1973. Said term shall be subject to cancellation by City at any time, or upon the expiration of said two (2) years, upon ninety (90) days notice. No such cancellation shall be effective unless and until such cancellation shall have been approved by resolution or ordinance of City Council. In the absence of such notice, the term shall be extended for further two (2) year periods upon the terms and conditions herein.

Two year term

Termination by City

SECTION XIII

Other Agreements

1. Unless approved by the Gas Commission, no contract or agreement with a third party, including without limitation any union contract covering Gas Works personnel, entered into by Company or at its direction on behalf of the Gas Works during the term of this Agreement shall provide by its terms that it shall terminate or expire in the event that this Agreement between City and Company shall terminate or expire.

Contracts shall not terminate with this

2. The City agrees and hereby does, indemnify and hold harmless the Directors, the officers and the employees of Company, individually and collectively, while acting within the scope of their employment, against and from any and all personal liability, actions, causes of action, and any and all claims made against them whatever in their capacities as Directors, Officers or employees of Company with regard to this Agreement.

*Indemnification of
Board by City*

SECTION XIV

Counterparts

This Agreement may be executed in counterparts, all of which taken together shall constitute one document.

SECTION XV

Effectiveness

This Agreement shall not be effective or binding upon the parties unless it has been approved by an effective ordinance of City Council and has been ratified by the Board of Directors of Company.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement, the corporate seal of the City of Philadelphia has been duly affixed by the Mayor of said City, and the corporate seal of the Philadelphia Facilities Management Corporation has been duly affixed by an authorized officer thereof, the day and year first above written.

CITY OF PHILADELPHIA

Attest:(s) Pace Reich
Deputy to the City Solicitor

By: (s) Frank L. Rizzo
Mayor

By: (s) William A. Costello
Commissioner of Public Property

PHILADELPHIA FACILITIES MANAGEMENT CORPORATION

Attest: (s) Stephen S. Gardner
Secretary

By: (s) F. Eugene Dixon, Jr.
President

Approved for the City of Philadelphia
as to correctness and form:

(s) Martin Weinberg
City Solicitor

City of Philadelphia

Bill No. 980232

Certified Copy

(cc) a statement that, in the opinion of the Engineer, the Gas Works are in good operating condition or that adequate steps are being taken to make them so.

(b) It will, at a minimum, impose, charge and collect in each Fiscal Year such gas rates and charges as shall, together with all other Gas Works Revenues to be received in such Fiscal Year, equal not less than the greater of:

A. The sum of:

(i) all Net Operating Expenses payable during such Fiscal Year;

(ii) all principal of and interest on bonds issued and outstanding under the 1975 Ordinance payable during such Fiscal Year and amounts required to be paid into the sinking fund reserve under the 1975 Ordinance during such Fiscal Year;

(iii) 150% of the amount required to pay Sinking Fund deposits required during such Fiscal Year in respect of all Outstanding Senior Bonds and 100% of the amounts payable in respect of the Prior Obligations during such Fiscal Year;

(iv) the amount required to pay Sinking Fund deposits required during such Fiscal Year in respect of all Outstanding Subordinate Bonds and other obligations of the Gas Works on a parity with Subordinate Bonds payable during such Fiscal Year;

(v) the amount, if any, required to be paid into the Sinking Fund Reserve during such Fiscal Year;

(vi) the Rebate Amount required to be paid to

City of Philadelphia

Bill No. 980232

Certified Copy

United States during such Fiscal Year; and

(vii) the amounts required to be paid to the issuers of Credit Facilities and the providers of Qualified Swaps and Exchange Agreements during such Fiscal Year; or

B. The sum of:

(i) all Net Operating Expenses payable during such Fiscal Year;

(ii) all principal of and interest on bonds issued and outstanding under the 1975 Ordinance payable during such Fiscal Year and amounts required to be paid into the sinking fund reserve under the 1975 Ordinance during such Fiscal Year;

(iii) all Sinking Fund deposits required during such Fiscal Year in respect of all Outstanding Bonds and all amounts payable in respect of obligations of the Gas Works which are on a parity with any of the Bonds and in respect of general obligation bonds issued for improvements to the Gas Works and all amounts, if any, required during such Fiscal Year to be paid into the Sinking Fund Reserve;

(iv) the Rebate Amount required to be paid to the United States during such Fiscal Year; and

(v) the amounts required to be paid to the issuers of Credit Facilities and the providers of Qualified Swaps and Exchange Agreements during such Fiscal Year.

For purposes of estimating Sinking Fund deposits with respect to Interim Debt and Variable Rate Bonds, the City shall be entitled to assume that (1) Interim Debt will be amortized

City of Philadelp

Bill No. 980232

over a period of up to the maximum term of
but not in excess of the useful life of the assets
on an approximately level debt service basis and bear interest
the average interest rate on bonds of a similar maturity and
credit rating (without any credit enhancement) as the Bonds
Outstanding under this Ordinance and (2) Variable Rate Bonds
will bear interest at a rate equal to the average interest rate on
such Variable Rate Bonds during the period of twenty-four (24)
consecutive calendar months immediately preceding the date of
calculation or during such shorter period that such Variable
Rate Bonds have been Outstanding.

The Gas Commission is hereby authorized and directed,
without further authorization, to impose and charge and to
collect, or cause to be collected, rents, rates and charges which
shall be sufficient in each Fiscal Year to comply with the
foregoing Rate Covenant.

Notwithstanding the requirements of this Section 4.03(b)
and the pledge under Section 4.02, the City may, at such time
as there are no bonds outstanding under the 1975 Ordinance,
pursuant to a Supplemental Ordinance, securitize and sell that
portion of the Gas Works rents, rates and charges which relate
to assets which are designated as non-performing by the Gas
Commission and as to which the Gas Commission has
designated specific rents, rates or charges; provided that prior
to any such securitization and sale the City delivers to the
Fiscal Agent (1) an Engineer's report including a statement
that, for the three year period following such securitization and
sale, the Gas Works rents, rates and charges (excluding those
securitized and sold) are currently and will be sufficient to
comply with the Rate Covenant set forth in Section 4.03(b)
applied as if the percentage in subsection A(iii) were 175%
rather than 150% and (2) an opinion of Bond Counsel that such
securitization and sale will not adversely affect the exclusion

Ratings Services
55 Water Street, 38th Floor
New York, NY 10041-0003
Tel 212 438-2064
Reference No.:

Curtis Moulton
Managing Director
Infrastructure Finance Ratings

Standard & Poor's

A Division of The McGraw-Hill Companies 

July 20, 2000

Mr. Kumar Kishinchand, P.E.
President & Chief Executive Officer
Philadelphia Gas Works
800 W. Montgomery Avenue
Philadelphia, PA 19122

Re: *\$355,825,000 Philadelphia Gas Works, Revenue Bonds*
\$103,550,000 Philadelphia Gas Works, Revenue Bonds, 1998 General Ordinance,
Series B (SPUR)
\$160,660,000 Philadelphia Gas Works, Revenue Bonds, 1998 General Ordinance,
Series A (SPUR)
\$112,245,000 Philadelphia Gas Works, Revenue Bonds, Second Series (SPUR)
\$61,960,000 Philadelphia Gas Works, Revenue Bonds, Sixteenth Series (SPUR)

Dear Mr. Kishinchand:

As part of Standard & Poor's ongoing secondary market surveillance, we have reviewed the latest financial report and other relevant data on the above debt. After such review, we have placed the rating of 'BBB' on CreditWatch with negative implications due to PGW's very weak cash flows arising from a convergence of budgeting that did not reflect the trend toward warmer winters; historic ongoing problems with high revenue receivables; and the faulty implementation of a new billing system.

Please continue to send updated information including annual audit reports and budgets, and if applicable, updated operating and construction progress data, addressed to:

Standard & Poor's Ratings Services
Public Finance Secondary Market Surveillance
55 Water Street, Muni Drop Box No. 1, 38-2-2
New York, NY 10041-0003

If you have any questions please feel free to contact Jodi Hecht at (212) 438-2019.

Thank you for continuing your relationship with Standard & Poor's Ratings Services.

Very truly yours,

Curtis Moulton

cc: Barbara C. Bisgaier, Public Financial Management

**STANDARD
& POOR'S**



INFRASTRUCTURE FINANCE

Credit Profile

Outstanding Ratings

\$794.2 mil rev bnds,
varies series **BBB**
\$20.0 mil rev bnds,
subordinate, 1998 gen ordinance,
series C **BBB-**

*Outlook Revised: CreditWatch
Negative*

Analysts:

*Jodi Hecht, New York
(212) 438-2019
Elizabeth Fitzgerald Smith, Chicago
(312) 669-9172*

PHILADELPHIA GAS WORKS, PENNSYLVANIA

Rationale

The rating action reflects PGW's very weak cash flows arising from a convergence of budgeting that did not reflect the trend toward warmer winters; historic ongoing problems with high revenue receivables; and the faulty implementation of a new billing system. Rate relief is needed by this fall. The tariffs that PGW has filed before the state Public Utilities Commission are projected to generate an additional \$52 million and increase base rates and monthly charges by 10%. The proposed tariff will increase rates to above-average in a service area with below-average income levels.

Rate applications to the PUC are typically resolved over a nine-month period, but it is not clear that PGW's application, which was filed in July 2000, will be approved before the 2000 winter heating season that is a critical component of the utility's cash flow.

Other credit weaknesses include the following:

- Potentially above average gas rates if PGW's five year plan is not fully implemented, especially in a market that will be open to retail choice beginning in fiscal 2004;

- Aggressive future projections which assume normal weather conditions that have not been realized in recent years and productivity cost savings, ranging from 5% to 10% of expenditures;

- Deferred capital spending limited by declining excess cash flow; and

- Uncertainty regarding the long term management structure and operating strategy.

These are offset by sound legal provisions, which require, on an accrual basis, 1.50 times (x) coverage on the senior bonds, in spite of the lowered revenue requirement from the creation of a subordinate lien.

The bonds are secured by the net revenues of the gas system. Under provisions of the Natural Gas Choice and Competition Act, which was signed into law in June 1999 by Gov. Tom Ridge, after July 1, 2000 the rate relief and customer service functions for PGW were to be regulated by the PUC. Previously, these powers belonged to the Philadelphia Gas Commission (PGC). The PGC maintains the authority to approve operating and capital budgets, while the city of Philadelphia remains the owner of the system.

PGW filed a rate increase in July 2000, which they would like to take effect before the 2000 winter heating season. However, the PUC's approval process takes nine months to complete. PGW requested that the PUC allow this rate filing to be reviewed by PGW, which has a shorter process, and would enable the new rates to be effective by October 2000. Without the rate increase in place, the ending cash position for fiscal 2001 is projected to be negative \$16.9 million (approximately 4% of operating expenditures).

The 1998 indenture created senior and subordinate liens. The senior lien rate

PHILADELPHIA GAS WORKS, PENNSYLVANIA

covenant remains at 1.50 times (x) annual debt service, while the subordinate lien and refunded 1975 bond rate covenant require only 1x coverage of annual debt service. While 1.5x coverage is sound for a triple-B-rated gas system, debt service coverage of all obligations after the \$18 million annual transfer to the city was less than 1 times (x) in fiscals 1998 and 1999. The payment is made throughout the year. However, the city had been willing to defer the payment until year end, providing some latitude to address unanticipated year-end financial needs.

Minimal coverage has been a historic problem. PGW implemented non-recurring actions in fiscals 1995, 1998, and 1999 to meet its rate covenant. Steps were not needed in fiscal 2000, because the calculation of the rate covenant was liberalized under the provisions of the 1998 indenture. Another warmer-than-budgeted winter in 2000 led to reduced gas sales, and revenues were 15% lower than budget. Debt service coverage in fiscal 1999 of all revenue bonds was 1.11 times (x), with estimated fiscal 2000 results generating 1.31x DSC. However, when coverage of all fixed payments—including lease payments—is calculated, fiscal 1999 DSC was a minimal 1.01x, and fiscal 2000 DSC is 1.20x. Financial projections, while somewhat aggressive, assume a normal number of degree days, which has not occurred in the past three years; approval of the rate increase; discontinuation of the senior citizen discount program; and productivity and costs savings that are expected to be implemented under a new labor contract beginning in late fiscal 2001.

Over the past three years, including estimates for fiscal 2000, operating expenses have exceeded operating revenues, reducing reserves and cash balances. In fiscal 2000, no excess revenues were generated to contribute to ongoing and long-term capital needs. The revised five-year fiscal 2002-2006 capital program totals \$266.4 million—a \$91 million decline from the previous program. While current management believes this program is better targeted to address immediate needs, it is unclear that the ongoing investment has been adequately made in the system. Funding

for this program includes a \$75 million bond issue next fiscal year (28% of the program) with the balance (72%) funded from internally generated funds. Funding for the capital program is largely dependent on PGW's ability to implement the five-year operating plan, as projected.

Outlook

To preserve its ratings, PGW will need to obtain rate relief and implement the projected productivity savings ranging between 5% to 10% annually. Cost reductions are critical to PGW's ability to fund future capital needs and maintain competitive commodity charges to retain customers following the introduction of customer choice in fiscal 2004.



COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
P.O. BOX 5265, HARRISBURG, PA 17105-3265

JUL 21 2000

IN REPLY PLEASE
REFER TO OUR FILE

July 20, 2000

To: Philadelphia Gas Works
Office of Trial Staff
Office of Consumer Advocate
Office of Small Business Advocate

Re: Memorandum of Understanding with Philadelphia Gas Works;
Docket No. A-125042

On July 1, 2000, the Pennsylvania Public Utility Commission (PUC) assumed jurisdiction over the public utility services being furnished by Philadelphia Gas Works (PGW) within the City of Philadelphia, pursuant to Section 2212 of the Public Utility Code, 66 Pa.C.S. §2212. In an effort to effectively address consumer service issues during this transition, the PUC and PGW have entered into a Memorandum of Understanding (MOU) establishing consumer complaint handling procedures.

A copy of this MOU is enclosed. By this MOU, the PUC and PGW have developed a process outlining the manner in which PGW will administer its customer service and customer complaint handling procedures for residential customers. The PUC is satisfied that adherence to these procedures will facilitate the provision of safe, adequate and reasonable service by PGW to its customers.

Very truly yours,

James J. McNulty
Secretary

cc: Office of Executive Director
Office of Administrative Law Judge
Bureau of Consumer Services
Law Bureau

Memorandum of Understanding
on Consumer Complaint Handling Procedures
Between Philadelphia Gas Works and
Pennsylvania Public Utility Commission

THIS MEMORANDUM OF UNDERSTANDING (the "MOU") is made as of this 18th day of July, 2000, by and between Philadelphia Gas Works by Philadelphia Facilities Management Corporation in its capacity as operator and manager of the Philadelphia Gas Works, which supplies natural gas service within the City of Philadelphia under and pursuant to an Agreement with the City of Philadelphia dated December 29, 1972, as amended (collectively "PGW" or "Company"), and the Pennsylvania Public Utility Commission ("PUC" or "Commission"), a state agency vested with the responsibility of regulating public utility service and suppliers within the Commonwealth of Pennsylvania (collectively the "Parties.")

WHEREAS, the purpose of this MOU is to establish a common basis of understanding between the PUC and PGW concerning the manner in which PGW will administer its customer service and customer complaint handling procedures for residential customers as of July 1, 2000 through the effective date of a PGW restructuring order by the PUC; and

WHEREAS, the Parties desire to move forward and implement residential customer complaint procedures that are in the public interest and at the same time preserve their respective rights to assert any relevant legal arguments or claims; and

WHEREAS, in the recent past, PGW on its own initiative has undertaken steps to enable improvement of its customer service including: (a) steps towards the hiring of 30 new people for its call center; (b) engagement of Vanguard, an outside consultant, to assess the call center operations and to make recommendations on improving the efficiencies of these operations; (c) the retention of SARCOM as an outside consultant to design training programs; (d) the engagement of Data Management, as a consultant, to conduct focus groups to generally address customer satisfaction issues vis-à-vis new technology initiatives in district offices; (e) the initiation and completion of two distinct training initiatives with outside vendors; and (f) the reconstitution of PGW's Customer Review Unit to address customer disputes; and

WHEREAS, PGW has developed additional plans and has committed to the following: (a) reorganization of its customer organization and establishment of a new escalation unit to assist in the customer complaint process; (b) the further refinement of its customer service resources to enable the assignment of qualified personnel to the most appropriate tasks; and (c) the initiation of additional training initiatives; and

WHEREAS, by entering into this MOU, both Parties, as well as the customers of PGW, benefit greatly by establishing clear procedures and standards for residential customer service and dispute resolution in a manner that is reasonable and fair to both PGW and its customers;

WHEREAS, the procedures agreed to in this MOU lay the foundation for PGW's continued provision of safe, adequate and reasonable service to its customers under PUC regulatory supervision, and establish a procedure whereby the PUC and PGW can work together to improve customer service in the future.

NOW THEREFORE, the PUC and PGW agree as follows:

The following **GENERAL PRINCIPLES** shall govern PGW's provision of customer service and the PUC's oversight of PGW's customer service:

1. This MOU sets forth the express provisions and requirements that PGW shall follow for providing customer service to its residential customers, including the treatment of residential customer inquiries and disputes as set forth in paragraph 16 below. The Commission is not precluded from taking any action which is not specifically referenced in this MOU.
2. To the extent that PGW's existing tariff, as revised from time to time, differs from the requirements contained in Chapter 56, the PUC will not require PGW to comply with Chapter 56 when interacting with residential customers until some time in the future. The PUC reserves the right to issue appropriate orders concerning application of Chapter 56 requirements, subject to the right of PGW to challenge such action on any ground.
3. PGW shall comply with PUC procedures as set forth in this MOU and will modify its PUC Reformatted Tariff to reflect the contents of this MOU ("Revised Tariff") with the PUC within thirty (30) days.
4. Except as set forth in this MOU, and until the conclusion of PGW's restructuring proceeding, the PUC's Bureau of Consumer Services ("BCS") shall evaluate PGW's residential customer service and customer complaint practices solely on the basis of compliance with PGW's Revised Tariff. The Commission will require PGW to comply with its tariff and may cite instances of non-compliance. PGW and BCS will discuss and identify procedures in Chapter 56 which govern the interaction between utilities and BCS. PGW will implement the identified procedures where it is appropriate and will include such procedures in its tariff as revised from time to time.
5. Customers should not have to contact PGW more than once to have an inquiry or dispute resolved, or to be informed of the right to appeal to the BCS if resolution does not occur,

as set forth in paragraph 16 below. PGW will inform customers who are dissatisfied with PGW's resolution of any dispute, that the customers have the right to appeal or submit an informal complaint to the BCS.

6. PGW shall apply its tariff provisions for negotiating and resolving inability to pay disputes, notices of termination and other payment agreement requests. If a residential customer is dissatisfied with PGW's resolution, the customer may file an appeal/informal complaint with BCS. In investigating the appeal/informal complaint, BCS will apply its internal operating guidelines that it uses to evaluate and decide payment agreement requests, established pursuant to 52 Pa. Code § 56.211. Unless appealed by PGW, PGW will implement BCS informal complaint decisions regarding payment arrangements.

7. Except as set forth in paragraph 8 below, BCS will not accept any informal complaint concerning a payment arrangement that PGW and the customer entered into at any time, unless the BCS verifies that the customer has already contacted or attempted to contact PGW to raise any concerns or issues that it seeks to raise with BCS.

8. In instances in which a residential customer and PGW are unsuccessful in reaching an acceptable payment arrangement, PGW may initiate (or resume) the process for terminating the customer's service. PGW's termination notice will identify the BCS' telephone number and advise the customer that he/she may file an appeal/informal complaint with BCS. As to customers who have requested or received a payment arrangement from PGW prior to the Effective Date, BCS will accept appeals/informal complaints from any PGW customer that has received a termination notice or notices.

9. PGW shares the PUC's goal of assuring that all customers are treated respectfully and courteously. If a customer experiences discourteous or disrespectful behavior by a PGW employee or representative, the customer may report it to PGW or to the Commission. Rude or abusive behavior towards any customer constitutes inadequate service and such behavior by any identified PGW employee or representative will not be tolerated by PGW and will be subject to immediate action by PGW upon discovery. Confirmed customer access problems and/or failure to resolve inquiries or disputes fairly and promptly may constitute inadequate service. In this regard PGW commits to addressing and decreasing customer access problems and/or failure to resolve inquiries or disputes fairly and promptly.

10. PGW shall improve access to its various customer service telephone numbers and to efficiently process customer inquiries and disputes by maximizing the efficiency of its available resources, consistent with its operational and economical limitations. If BCS has specific concerns relating to customer access to PGW and PGW's customer inquiry/dispute handling procedures, BCS shall communicate those concerns to PGW and both groups shall meet

and discuss the means to address the BCS-identified concerns. BCS may utilize its compliance process to communicate problems to PGW and to seek PGW's response.

11. In the initial nine months following the Effective Date, PGW and the PUC will engage in a process designed to address PGW customer service issues. Within this context, BCS agrees that any compliance activities will be undertaken by BCS in accordance with Exhibit "A" and as incorporated herein.

12. Both parties expressly acknowledge that PGW's ability to comply with this MOU, or other applicable customer service standards is expected to improve over time.

13. Both Parties expressly reserve all relevant legal and equitable rights. The Parties have negotiated and executed this agreement in good faith and neither party waives its rights to assert any legal or equitable argument or claim, including but not limited to the legal interpretation of or enforceability of any provision of law.

The following **SPECIFIC PROCEDURES** for Handling Customer Contacts shall govern:

14. PGW shall assure that all types of customer inquiries and disputes concerning any subject relating to PGW's rates and services will be accepted by PGW.

15. PGW Customers with any type of customer inquiry or dispute, including a problem relating to the receipt of a notice of impending service termination, may contact PGW through the following means: (a) telephone contact to the customer service center; (b) call or walk-ins to any operating PGW district office; and (c) written contact with PGW.

16. A customer inquiry means any customer contact with PGW. PGW shall handle customer inquiries as follows:

(a) If PGW determines that a customer inquiry is unresolved after the customer's initial contact to PGW, the inquiry shall be considered a dispute and will be subject to further investigation. Any resulting customer dispute will be automatically processed by PGW and will not require the customer to call a second time or write to PGW to register the dispute.

(b) For disputes submitted by customers after July 1, 2000, PGW will provide a fair and prompt oral report regarding the results of the Company's investigation to each disputing customer. PGW may be cited by BCS in instances when the Company fails to submit such an oral report.

(c) PGW shall provide the means for and, at the conclusion of PGW's processing of a customer dispute, shall advise all customers with unresolved disputes that: (1) the customer may file an appeal/informal complaint with BCS, either by telephone or in writing; and (2) the contact information for BCS (toll free telephone number and address).

17. PGW has already initiated, and intends to continue, modifications to its procedures in a manner intended to comply with the procedures set forth in this paragraph. While some of these modifications have already been implemented, other modifications are in process and will require additional time to finalize. Moreover, neither PGW nor the PUC are able to specifically identify all the operational problems which may be encountered in the initial stages of implementation. Both Parties agree to cooperate and coordinate their efforts to address operational problems and improve procedures and performance over time.

(a) BCS shall work closely with PGW during the initial stages of implementation of these procedures. BCS shall meet and discuss with PGW regarding the implementation of these procedures during the following time frames: (a) after the first month of operation under these procedures; (b) after six weeks of operation under these procedures; (c) after three months of operation under these procedures; and (d) six months of operation under these procedures.

(b) Following these discussions, the BCS and PGW shall jointly review issues in an attempt to resolve systematic problems adversely affecting PGW's ability to provide customer service or to meet reasonable operational requirements which have resulted from implementation of these procedures. PGW and BCS will exercise best efforts to jointly design and implement a remedy to the problems identified. BCS retains the right to review and evaluate PGW's performance, and to take appropriate action in accordance with the procedures set forth in Exhibit "A."

18. If a customer contacts PGW because the customer received a termination notice, PGW shall attempt to reach an agreement on a payment arrangement with the customer in conformance with its tariff procedures. If PGW and the customer do not reach agreement on a payment arrangement, PGW will continue with its normal termination procedure which includes a written notice of termination to the customer that advises residential customers of the right to file an appeal/informal complaint with BCS.

19. When a PGW residential customer files an appeal/informal complaint with BCS, PGW shall provide a company report to the BCS. PGW agrees that it is expected to comply with the thirty (30) day deadline applicable to responding to informal complaints received by the

BCS. PGW will apply its best efforts to comply with this standard. PGW shall exercise good faith effort in an attempt to improve its customer service performance pursuant to this MOU and shall fully cooperate with the PUC and BCS in these efforts.

20. PGW must be represented in formal complaint proceedings by an attorney. The following **IMPLEMENTATION STEPS** govern the effectiveness and operation of this MOU:

21. Consistent with PUC procedures and as set forth in this MOU, PGW shall develop a Revised Tariff which is consistent with and incorporates the relevant provisions of this MOU, and following discussions with the PUC to assure that the Revised Tariff is compliant with the MOU, shall submit the Revised Tariff to the PUC. The PUC will cause the Revised Tariff to become effective on one day's notice.

22. Nothing in the preceding paragraph is intended to preclude the BCS from reviewing informal customer complaints and issuing informal decisions addressing individual informal customer complaints submitted in accordance with this MOU to the BCS. Furthermore, the BCS may make recommendations for improving PGW's customer complaint handling procedures.

23. Except where a term or similar term is defined in PGW's tariff, or where the meaning of the term or similar term is clear from its context, the definitions contained in the Public Utility Code or Commission regulations are controlling.

24. Within six months of the Effective Date, BCS may propose a list of Chapter 56 provisions and a proposed priority list and time line for revising PGW's procedures, as well as other suggestions on improving PGW service, to be followed by PGW-BCS discussions. PGW shall exercise best efforts to implement any BCS-PGW agreement as to implementation and time lines.

25. The PUC recognizes that PGW's transition to full compliance with Chapter 56 will be difficult and that the transition to PUC regulations will be gradual over time.

26. PGW shall preserve for a minimum of four years written or recorded disputes or complaints, and shall keep the records within this Commonwealth at an office located in the territory served by it, and shall make the records available for examination by the Commission and its staff.

27. Nothing in this MOU shall require the City or PGW to take any action which would have the effect of causing the interest on tax-exempt bonds issued by the City or PGW to be includable in the gross income of the holders of such bonds for federal income tax purposes or

adversely impact the City in complying with its covenants with the holders of any approved bonds all as provided in Act 21.

28. Nothing in this MOU shall affect the PUC's consideration of the reasonableness of any PGW activity for rate-making purposes and the Commission takes no position on the propriety of any cost recovery relating to them.

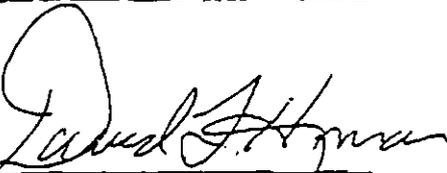
29. This MOU may not be modified or amended except by an instrument in writing executed by both parties hereto.

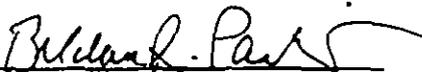
30. This MOU may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Agreement shall become effective when each party hereto shall have received counterparts hereof signed by the other parties. The parties agree that delivery of the counterparts by facsimile constitutes receipt.

IN WITNESS WHEREOF, the parties have executed this MOU as of the day and year set forth above.

PHILADELPHIA GAS WORKS

PENNSYLVANIA PUBLIC
UTILITY COMMISSION

By: 
David L. Hyman, Chairman
Philadelphia Facilities
Management Corporation

By: 
Bohdan R. Pankiw
Chief Counsel
Law Bureau

Date: 7-19-00

Date: 7-20-00

In addition the following will be added to the Implementation Plan (and inconsistent language will be removed):

PGW's Customer Review Unit must systematically evaluate and respond to each of the backlogged cases. If after review of an individual complaint, it appears that the problem complained of was already corrected in full via BCCS systemic corrections, then CRU may send written notification to the customer to that effect, informing him/her that, unless the customer indicates within the next ten days that s/he is still not satisfied, the case will be closed. All other cases in the backlogs must receive written findings of the results of PGW's investigation ("further review") and will inform customers of their right to appeal to the PUC if dissatisfied.

The Bureau of Consumer services (BCS) historically has used several mechanisms to address customer service deficiencies in utility operations. It is the BCS intention to utilize these same mechanisms to address issues that may arise relating to the customer service operations of the Philadelphia Gas Works (PGW).

It has been the BCS general practice to initially rely on the informal compliance process to seek corrective action in utility operations. The BCS complaint investigator initiates this process when an apparent violation of a company tariff, regulation or statute is identified during the complaint investigation. The investigator initially notifies the utility verbally of the alleged infraction and gives the utility representative an opportunity to refute the allegation. If the investigator is not satisfied with the utility response a letter is sent to the utility that details the alleged infraction. The utility is asked to investigate the allegation and respond to the BCS either admitting or denying the infraction. If the utility admits the infraction the utility response must include the corrective action the utility intends to implement to ensure that the mistake will not be repeated. If the utility denies the infraction the utility response must include supporting evidence showing that the infraction did not occur. The BCS then notifies the utility as to whether the infraction is being upheld as valid. The BCS tracks this information and may use other mechanisms if it appears that this process has been ineffective in addressing the issue.

Another tool available to the BCS is the Customer Service Performance Review process. This process resembles an audit in many ways. BCS Staff engages in numerous activities as part of a review. These activities include the review of utility documents, interviews with utility employees and the observation of company/customer contacts. As a result of these activities BCS Staff develops findings and recommendations. These findings are then discussed with the appropriate utility representatives and may be revised as a result. Finally, the BCS findings and recommendations are delivered to the utility in the form of a report. The utility must respond to each recommendation in writing detailing the action the utility intends to take and the timeframe in which that action will be accomplished. At the appropriate time BCS Staff will conduct a follow-up review to determine whether the recommendations have been implemented and have had the desired effect.

Another enforcement tool that the BCS has utilized is the informal investigation. These investigations have been initiated when information comes to the attention of the BCS that a utility is operating in violation of regulations or statutes. Historically these investigations have been launched when the apparent violations appear to be systemic and involve important customer service standards. An example would be the improper termination of service. Should the BCS determine that an informal investigation is appropriate a recommendation to start the investigation is forwarded to the Commission's Law Bureau. If the Law Bureau agrees a letter is sent to the utility notifying the company of the investigation. This letter often includes specific document requests. BCS and Law Bureau Staff generally follow-up the document request with interviews of utility employees and if necessary observations of company/customer contacts. An informal investigation can be resolved in three ways. Should the investigation conclude with the finding that there have been no violations of regulations or statutes then a letter is sent to the utility formally closing the investigation. If Staff determines that violations have occurred an attempt is made to negotiate a settlement with the utility. If this attempt is successful the settlement agreement goes to the Commission for approval at Public Meeting. If a settlement is not reached then Staff files an order to show cause to resolve the matter.

The final enforcement tool available to the BCS is the filing of a formal complaint. The BCS only uses this tool after having attempted to address the utility problem using one or a combination of the tools discussed previously.



PHILADELPHIA GAS COMMISSION

1401 ARCH STREET PHILADELPHIA, PENNSYLVANIA 19102 · (215) 563-6928

June 4, 1991

Community Legal Services, Inc.
1324 Locust Street, Suite 201
Philadelphia, Pennsylvania 19107

Attention: Steven P. Hershey, Esquire

Philadelphia Gas Works
800 West Montgomery Avenue
Philadelphia, Pennsylvania 19122

Attention: Kathleen C. Jackson, Assistant General Counsel

**RE: IMPACT OF WARM WEATHER ON
PHILADELPHIA GAS WORKS'
DEBT SERVICE COVERAGE**

Dear Counsel:

Attached please find a copy of the Order and Resolution, properly signed and executed, which was adopted at the May 7, 1991 Commission Meeting, pertaining to the above-captioned matter.

Very truly yours,

Cheryl L. Gaston

**CHERYL L. GASTON
CHIEF ASSISTANT CITY SOLICITOR
COUNSEL TO THE PHILADELPHIA GAS COMMISSION**

Attachment

cc: All Philadelphia Gas Commissioners
Alfred P. Degen, Executive Vice President
Joseph G. Horan, Senior Vice President
Harry A. Connelly, Vice President, Rates & Regulatory Affairs
Lorina L. Marshall, Vice Pres. Govt. Rels. & Urban Affairs
Josephine Hayes, Coordinator, Regulatory Affairs
Hydie Miller, Economic Analyst
Julio J. Lastra, Esquire
Oscar G. Turner, Staff Director

BEFORE THE

PHILADELPHIA GAS COMMISSION

PUBLIC MEETING HELD: MAY 7, 1991

IN THE MATTER OF THE IMPACT OF WARM
WEATHER ON PHILADELPHIA GAS WORKS'
DEBT SERVICE COVERAGE

ORDER AND RESOLUTION

On Tuesday, May 7, 1991, the Philadelphia Gas Commission held its regular monthly meeting upon due public notice and legal notice to all members.

On Wednesday, May 22, 1991, the Philadelphia Gas Commission reconvened the May 7, 1991 meeting which was recessed to the call of the Chair.

Before the Commission was the sole agenda item of the impact of the warm weather on Philadelphia Gas Works' Debt Service Coverage.

Prior to the meeting, the Commission requested, by letter dated April 24, 1991, that PGW file information concerning the debt coverage problem with the Commission. Also, by letter dated May 13, 1991, the Commission established an accelerated data information gathering schedule.

At the May 22, 1991 meeting, PGW explained that the unusually warm winter weather of 1990/91, the warmest experienced in Philadelphia in approximately sixty (60) years, had adversely affected PGW's 1991 fiscal year operating revenues. PGW projected that total operating revenues for Fiscal Year 1991 would be approximately \$53.7 million below the compliance budget, that natural gas expenses would be significantly below budget and a net loss from operations. Under these conditions, PGW projected a debt service coverage of 1.40x, which is below the 1.50x coverage mandated by the Management Agreement and by the bond covenant requirements.

IN THE MATTER OF THE IMPACT OF WARM
WEATHER ON PHILADELPHIA GAS WORKS'
DEBT SERVICE COVERAGE

PAGE TWO

PGW expressed concern that if the revenue bond debt coverage for fiscal year 1991 did not reach the covenant requirements, PGW would not be able to secure additional capital financing through the sale of revenue bonds.

PGW came before the Commission seeking authorization to augment 1991 fiscal year operating revenues in the amount of \$8 million. PGW suggested that this be accomplished by reducing the fuel component included in base rates from the current level of \$3.33 to \$3.18 per mcf.

PGW's proposal was discussed at length by the Commission and the Public Advocate and there was testimony concerning the debt coverage problem. The session produced one-hundred and seventy-four (174) pages of transcript testimony and nine (9) exhibits. In addition, there were questions submitted by the Public Advocate and the Commission and PGW's responses thereto, some of which were marked as exhibits and entered into the meeting record.

After the discussion and testimony, the Commission decided to approve the PGW proposal to increase PGW's 1991 fiscal year operating revenues by \$8 million by reducing the fuel component included in base rates from the current level of \$3.33 to \$3.18 per mcf.

Wherefore, upon consideration of the evidence of record and the testimony before the Commission, good cause has been shown for the Philadelphia Gas Commission to approve PGW's proposal to increase 1991 fiscal year operating revenues by \$8 million by reducing the fuel component included in base rates.

IN THE MATTER OF THE IMPACT OF WARM
WEATHER ON PHILADELPHIA GAS WORKS'
DEBT SERVICE COVERAGE

PAGE THREE

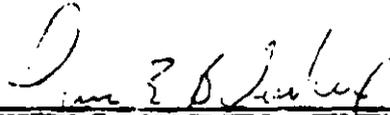
THEREFORE, IT IS ORDERED:

1. That the Commission increase 1991 fiscal year operating revenues to PGW by \$8 million by reducing the fuel component included in base rates from the current level of \$3.33 to \$3.18 per mcf effective September 1, 1990; and

2. That PGW shall, by July 1, 1991, have a contract in place to ensure that the \$600,000 of low income conservation funds are encumbered and the work completed by the end of this calendar year.

PHILADELPHIA GAS COMMISSION

BY:


LUCIEN E. BLACKWELL, CHAIRMAN

ORDER ADOPTED: MAY 22, 1991

ORDER ENTERED: JUNE 4, 1991

MEMORANDUM

To: Sydney M. Avent, Esq. Joseph G. Horan
Manuel M. Cabrera Don C. Kenley
Harry A. Connelly Terri M. Maloney
Alfred P. Degen Edward H. Morris, Jr.
Robert J. Dunnigan Richard J. Ney
A. Jack Egan Dennis E. Stinson
Thomas F. Hanna

From: Josephine Hayes *JH*

Date: June 11, 1991

Subject: Order and Resolution from the
Philadelphia Gas Commission

Attached is a copy of the Order and Resolution regarding Impact
of Warm Weather on Philadelphia Gas Works' Debt Service Coverage.

dlg

cc: Laureto A. Farinas, Esq.
Kathleen Jackson, Esq.
Governmental Relations Department

Exhibit "G"

PGW Rate Process Time Line for PUC "Interim Rate" Proceeding

| Process Step | Time Frame |
|--|-------------------------------------|
| 1. PGW Petition for Interim Relief: Process and Time line for interim rate relief | |
| 2. Answers to PGW Petition due to PUC (PGW will encourage and cooperate with informal discovery.) | 8/7/00 in hand due date |
| 3. PUC Order ruling on PGW's Petition for Expedited Schedule and Procedural Waivers consistent with the relief requested | 8/17/00 public meeting |
| 4. Prehearing Conference convened by OALJ | Week of August 21 |
| 5. Intervenor Testimony Filed (in-hand) | 9/8/00 |
| 6. PGW Rebuttal Testimony (in-hand) | 9/18/00 |
| 7. Hearing (1 day) | Week of Sept. 25 (Sept. 26 or 27th) |
| 8. Briefs | 10/3/00 |
| 9. Reply Briefs | 10/6/00 |
| 10. PUC adopts order ruling on PGW Interim Rate Request. | 10/25/00 public meeting or 11/08/00 |
| 11. PGW files compliance tariff effective on one day's notice (effective retroactive to filing date of compliance tariff) | 11/1/00 or 11/15/00 |

12. **Tariffs effective on one days notice.**

13. **PGW files base rate case (which incorporates final PGC determination on budget)** **ASAP**

rates and Tariff requests if the state law is overturned as the result of a pending lawsuit, or could be used by PGW to request rate relief from the Pennsylvania PUC.

Gas Commission Hearing Schedule

Public hearings on PGW's budgets and related issues will be held August 17, 18, 21, 22 and 23, 2000. Hearings will start at 9:00 a.m. each day and will continue the next day as needed. A public input hearing will also be held on August 22, 2000, starting at 5:30 p.m. All hearings are in the Gas Commission's hearing room, 1515 Arch Street, 18th Floor. PGW customers are encouraged to attend and participate.

Thank You!

Thanks for taking the time to read this brief explanation about PGW's filings.



BACK

An Important Message from PGW

PGW Promises Changes in its Base Rates, Gas Cost Rate and Tariff

On June 19, 2000, the Philadelphia Gas Works (PGW) filed with the Philadelphia Gas Commission (PGC) a request for a \$52 million base-rate increase. If approved, the base-rate increase would add about \$97.00 per year to the bill for a typical PGW residential heating customer.

Most of the base-rate increase would come from proposed increases in the monthly Customer Charges for PGW's firm residential, commercial, industrial, municipal and Philadelphia Housing Authority customers. For example, PGW wants to increase the monthly residential Customer Charge from \$8.00 to \$15.00. PGW also

Continued →

FRONT

rates7-00a.pm6
PPD/PH 7/18/00

proposes slight increases in the Commodity Charges, which are applied to all these customers' gas usage.

PGW also proposes an increase in the Gas Cost Rate (GCR) for September 1, 2000 to August 31, 2001 from the current \$1.0982 to \$1.8362 per 1,000 cubic feet. If approved as filed, the GCR increase would add about \$74.00 per year to the bill for a typical PGW residential heating customer. But PGW may amend this filing to reflect additional price increases since the filing date.

PGW also filed a proposal to amend its Tariff to close the senior citizen discount to new participants, effective June 30, 2000.

PGW also filed its proposed Operating and Capital Budgets for September 1, 2000, to August 31, 2001, and the next five years.

Explanation of the Customer Charge, Commodity Charge and Gas Cost Rate

Customer Charge – a monthly charge per meter that recovers part of PGW's "fixed" operating costs. These costs do not vary, regardless of how much gas you use and include billing, meter reading, and maintaining the gas distribution system.

Commodity Charge – the charge applied to each unit of gas you use to recover the balance of PGW's operating costs and most of its gas costs.

Gas Cost Rate – the charge applied to each unit of gas you use to recover the remainder of PGW's gas costs. It is reviewed and usually adjusted each year to track changes in the price of gas.

Change in Gas Commission Authority to Review PGW's Proposals

When PGW filed its rate and Tariff proposals, the PGC had authority to rule on them. But under a state law, which became effective July 1, 2000, the PGC no longer has authority to make final, binding decisions on PGW's base rate, GCR and Tariff change requests. That authority now belongs to the Pennsylvania PUC. The PGC still has responsibility for reviewing and approving PGW's proposed budgets and overseeing the operation of PGW by its management corporation. There is a lot of overlap in the issues related to PGW's budgets and to its rate requests. The information developed in the PGC proceeding either could be used by the PGC to take final action on PGW's

Continued →

CERTIFICATE OF SERVICE

R-00005657

I hereby certify that I have this day served a true copy of the foregoing document upon the participants listed below in accordance with the requirements of § 1.54 (relating to service by a participant).

VIA HAND DELIVERY

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McNEES, WALLACE, NURICK
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Hon. Marlane Chestnut
Administrative Law Judge
1400 W. Spring Garden Street, Rm. 1302
Philadelphia, PA 19103

Philip Bertocci, Esq.
Community Legal Services
1424 Chestnut Street
Philadelphia, PA 19102



Alan C. Kohler, Esq.

Dated: August 8, 2000

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00 AUG - 8 PM 4: 19

PA.P.U.C.
SECRETARY'S BUREAU