

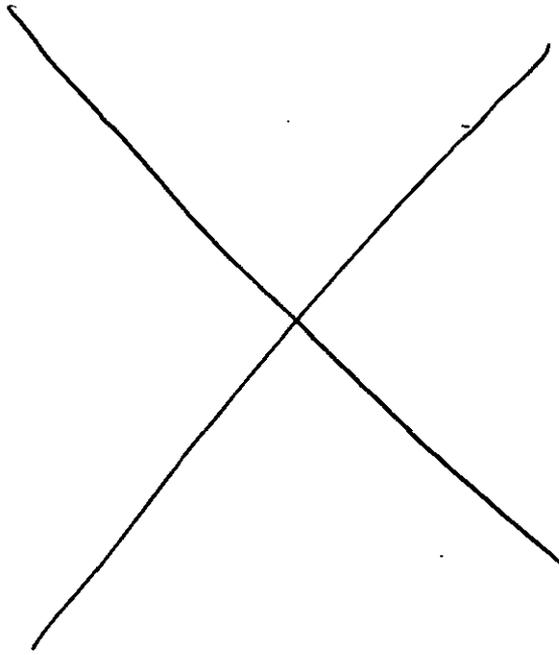
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## Appendix E

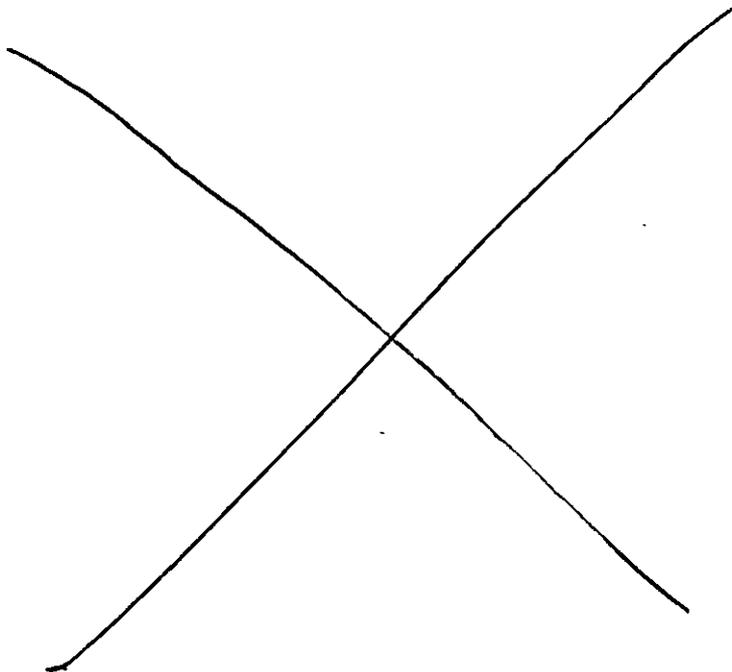
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Form of Continuing Disclosure Agreement

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## CONTINUING DISCLOSURE AGREEMENT

### City of Philadelphia, Pennsylvania

**\$62,315,000 Gas Works Revenue Bonds (1975 General Ordinance), Sixteenth Series**  
**\$113,965,000 Gas Works Revenue Bonds (1998 General Ordinance), Second Series**

This **Continuing Disclosure Agreement** ("Disclosure Agreement") is executed and delivered as of this 23<sup>rd</sup> day of June, 1999 by and between **The City of Philadelphia, Pennsylvania** ("City"), and First Union National Bank, a national banking association, having a corporate trust office in Philadelphia, Pennsylvania, as Fiscal Agent and dissemination agent ("Dissemination Agent"), in connection with the issuance by the City of its \$62,315,000 aggregate principal amount Gas Works Revenue Bonds (1975 General Ordinance), Sixteenth Series (the "Sixteenth Series Bonds") and its \$113,965,000 aggregate principal amount Gas Works Revenue Bonds (1998 General Ordinance), Second Series (the "Second Series Bonds") each dated June 1, 1999 (collectively the "Bonds").

The Sixteenth Series Bonds are being issued and secured pursuant to the First Class City Revenue Bond Act of the Commonwealth of Pennsylvania, Act No. 234, approved October 18, 1972, P.L. 955 (the "Act") and the General Gas Works Revenue Bond Ordinance of 1975, approved May 30, 1975, Bill No. 1871, as amended and supplemented from time to time (the "1975 General Ordinance") and the Sixteenth Supplemental Ordinance to the 1975 General Ordinance duly adopted by City Council of the City of Philadelphia on May 27, 1999 and signed by the Mayor on May 31, 1999, Bill No. 990285 (the "Sixteenth Supplemental Ordinance") and a determination by the Bond Committee of the City (consisting of the Mayor, the City Controller and the City Solicitor), or a majority of them dated June 11, 1999 (the "Sixteenth Series Bond Authorization" and together with the Act, the 1975 General Ordinance and the Sixteenth Supplemental Ordinance, the "Sixteenth Series Ordinance") and shall be described in the Official Statement of the City dated June 11, 1999 with respect to the Bonds (the "Official Statement").

The Second Series Bonds are being issued and secured pursuant to the Act and the General Gas Works Revenue Bond Ordinance of 1998, approved May 8, 1998, Bill No. 980232, as amended and supplemented from time to time (the "1998 General Ordinance") and the Second Supplemental Ordinance to the 1998 General Ordinance duly adopted by City Council of the City of Philadelphia on May 27, 1999 and signed by the Mayor on May 31, 1999, Bill No. 990286 (the "Second Supplemental Ordinance") and a determination by the Bond Committee of the Issuer (consisting of the Mayor, the City Controller and the City Solicitor), or a majority of them dated June 11, 1999 (the "Second Series Bond Authorization" and together with the Act, the 1998 General Ordinance and the Second Supplemental Ordinance, the "Second Series Ordinance") and shall be as described in the Official Statement.

In consideration of the mutual covenants, promises and agreements contained herein and intending to be legally bound hereby, the parties hereto agree as follows:

**Section 1. Definitions.**

In this Disclosure Agreement and any agreement supplemental hereto (except as otherwise expressly provided or unless the context clearly requires otherwise) terms defined in the recitals hereto shall have such meanings throughout this Disclosure Agreement, and, in addition, the following terms shall have the meanings specified below:

"Annual Financial Information" shall mean the financial information or operating data with respect to PGW delivered at least annually pursuant to Section 3 hereof, substantially similar to the type set forth in Appendix "A" attached hereto and in accordance with the Rule. The financial statements comprising the Annual Financial Information are prepared according to accounting methods and procedures which conform to generally accepted accounting principles for governmental units as prescribed by the Government Accounting Standards Board.

"Business Day" or "Business Days" shall mean any day other than a Saturday or Sunday or, in the City, a legal holiday or a day on which banking institutions are authorized by law to close or a day on which the Dissemination Agent is closed.

"Disclosure Representative" shall mean the Director of Finance of the City, the City Treasurer or such other official or employee of the City as the Director of Finance or the City Treasurer shall designate in writing to the Dissemination Agent.

"Dissemination Agent" shall mean First Union National Bank, acting in its capacity as Dissemination Agent hereunder or any successor Dissemination Agent designated in writing by the City which has filed with First Union National Bank a written acceptance of such designation.

"Fiscal Agent" shall mean First Union National Bank, as Fiscal Agent for the Bonds.

"Fiscal Agent Agreement" shall mean the Fiscal Agent Agreement dated as of January 1, 1993 between the City and First Union National Bank, as Fiscal Agent, and any successors or assigns thereof, as amended by a First Amendment to Fiscal Agent Agreement dated as of June 1, 1999.

"Material Event" shall mean any of the events listed in Section 4(a) of this Disclosure Agreement, if material within the meaning of the Rule.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"Official Statement" shall mean the Official Statement dated June 11, 1999 relating to the Bonds.

"Obligated Person" means (i) the City, for and on behalf of PGW, and (ii) any other entity for which annual financial information is required under the Rule and as to which the Representative has notified the City in writing, accompanied by an opinion of counsel, that such entity is an Obligated Person within the meaning of the Rule.

"Participating Underwriters" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with their purchase and reoffering of the Bonds.

"PGW" means the Philadelphia Gas Works of the City of Philadelphia.

"Registered Owner" or "Owners" shall mean the person or persons in whose name a Bond is registered on the books of the City maintained by the Fiscal Agent in accordance with the 1975 General Ordinance, the 1998 General Ordinance and the Bonds. For so long as the Bonds shall be registered in the name of the Securities Depository or its nominee, the term "Registered Owners" shall also mean and include, for the purposes of this Disclosure Agreement, beneficial owners and the owners of book-entry credits in the Bonds evidencing an interest in the Bonds; provided, however, that the Dissemination Agent shall have no obligation to provide notice hereunder to owners of book entry credits in the Bonds, except those who have filed their names and addresses with the Dissemination Agent for the purposes of receiving notices or giving direction under this Disclosure Agreement.

"Repository" or "Repositories" shall mean each nationally recognized municipal securities information repository which has received a no-action letter from the staff of the Securities and Exchange Commission recognizing it as such a repository. The Repositories as of the date of this Disclosure Agreement are set forth in Appendix "B" attached hereto and made a part hereof.

"Rule" shall mean Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, as such rule may be amended from time to time.

"Securities Depository" shall mean The Depository Trust Company, New York, New York, or its nominee, Cede & Co., or any successor thereto appointed pursuant to the 1975 General Ordinance or the 1998 General Ordinance.

"State Information Depository" shall mean any public or private repository designated by the Commonwealth of Pennsylvania as a state information depository within the meaning of the Rule. As of the date of this Disclosure Agreement, there is no State Information Depository.

"Representative" shall mean Merrill Lynch & Co., acting on behalf of itself and the other Participating Underwriters.

All words and terms used in this Disclosure Agreement and not defined above or elsewhere herein shall have the same meanings as set forth in the Sixteenth Series Ordinance, the Second Series Ordinance or the Fiscal Agent Agreement, if defined therein.

**Section 2. Authorization and Purpose of Disclosure Agreement.**

This Disclosure Agreement is authorized to be executed and delivered by the City pursuant to the Sixteenth Series Bond Authorization and the Second Series Bond Authorization in order to enable the Participating Underwriters to comply with the requirements of the Rule.

**Section 3. Provision of Annual Financial Information.**

(a) Within 240 days of the close of each fiscal year of the City, commencing with the City's fiscal year ending June 30, 1999, the Disclosure Representative shall file, with the Dissemination Agent, Annual Financial Information for such fiscal year. The Dissemination Agent shall promptly upon receipt thereof file the Annual Financial Information with each Repository and with the State Information Depository, if any. The Annual Financial Information will be in the form of the City's Comprehensive Annual Financial Report and will contain unaudited financial statements if audited financial statements are not available, together with the other information listed in Appendix A.

(b) As soon as audited financial statements for the City are available, commencing with the audited financial statements for the fiscal year ending June 30, 1999, the Disclosure Representative shall file the audited financial statements with the Dissemination Agent. The Dissemination Agent shall promptly upon receipt thereof file the audited financial statements with each Repository and the State Information Depository, if any.

(c) The City agrees to use its reasonable efforts to cause any other Obligated Person (to the extent such entity is not otherwise required under federal law to do so) to make annual financial information available as contemplated by this Section 3. The City takes no responsibility for the timeliness, accuracy or completeness of such filing by any such Obligated Person.

(d) The City reserves the right to modify from time to time the specific types of information provided and the format of the presentation of such information, to the extent necessary or appropriate in the judgment of the City; provided that the City agrees that any such modification will be done in a manner consistent with the Rule. The City may, at its option, satisfy the obligation of section 3(a) by providing an official statement for one or more series of general obligations or by specific reference, in accordance with the Rule to one or more official statements provided previously and available from the MSRB or any Repository.

**Section 4. Material Events.**

(a) The City agrees that it shall provide through the Dissemination Agent, in a timely manner, to each Repository or to the MSRB and to the State Information Depository, if any, notice

of any of the following events with respect to the Bonds if material within the meaning of the Rule (each a "Material Event"):

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers or their failure to perform;
- (6) Adverse tax opinions or events affecting the tax-exempt status of the security;
- (7) Modifications to the rights of the security holders;
- (8) Bond calls;
- (9) Defeasances;
- (10) Release, substitution or sale of property securing repayment of the securities;  
and
- (11) Rating changes.

The foregoing eleven (11) events are quoted from the Rule. No liquidity facility has been obtained with respect to the Bonds. No mandatory redemption shall be deemed a Material Event.

(b) Whenever the City concludes that a Material Event has occurred, the Disclosure Representative shall promptly notify the Dissemination Agent in writing of such occurrence, specifying the Material Event. Such notice shall instruct the Dissemination Agent to file a notice of such occurrence with each Repository or the MSRB and the State Information Depository, if any. Upon receipt, the Dissemination Agent shall promptly file such notice with each Repository or the MSRB and the State Information Depository, if any. In addition, the Dissemination Agent shall promptly file with the each Repository or the MSRB and the State Information Depository, if any, notice of any failure by the City or the Dissemination Agent to timely file the Annual Financial Information as provided in Section 3 hereof, including, any failure by the City or the Dissemination Agent to provide the Annual Financial Information on or before the date specified in Section 3(a) hereof. Any filing with each Repository or the MSRB and the State Information Depository, if any, shall be accompanied by the form annexed hereto as Appendix "C" and made a part hereof.

(c) Notwithstanding the foregoing, the Dissemination Agent shall, promptly after obtaining actual knowledge of an event listed in clauses (a) (1), (3), (4), (5), (8), or (a) (9) of this Section 4, notify the Disclosure Representative of the occurrence of such event and shall, within

three (3) Business Days of giving notice to the Disclosure Representative, file notice of such occurrence with the MSRB and the State Information Depository, if any, unless the Disclosure Representative gives the Dissemination Agent written instructions not to file such notice because the event has not occurred or the event is not material within the meaning of the Rule.

(d) The Dissemination Agent shall prepare an affidavit of mailing for each notice delivered pursuant to clauses (b) and (c) of this Section 4 and shall deliver such affidavit to the City no later than three (3) Business Days following the date of delivery of such notice.

(e) The Dissemination Agent shall request the return from each Repository, the MSRB and the State Information Depository, if any, of written acknowledgment or receipt of any notice delivered to each Repository, the MSRB and the State Information Depository, if any. Upon the return of all completed acknowledgments of a notice, the Dissemination Agent shall prepare an affidavit of receipt specifying the date and hour of receipt of such notice by each recipient to the extent such information has been provided to the Dissemination Agent. Such affidavit of receipt shall be delivered to the City no later than three (3) Business Days following the date of receipt by the Dissemination Agent of the last completed acknowledgment.

**Section 5. Amendment; Waiver.**

(a) Notwithstanding any other provision of this Disclosure Agreement, the City and the Dissemination Agent may amend the Disclosure Agreement or waive any of the provisions hereof, provided that no such amendment or waiver shall be executed by the parties hereto or effective unless:

(i) the amendment or waiver is made in writing and in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in identity, nature or status of the City or the governmental operations conducted by the City;

(ii) the Disclosure Agreement, as amended by the amendment or waiver, would have been the written undertaking contemplated by the Rule at the time of original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(iii) the amendment or waiver does not materially impair the interests of the Registered Owners of the Bonds.

(b) Evidence of compliance with the conditions set forth in clause (a) of this Section 5 shall be satisfied by the delivery to the Dissemination Agent of an opinion of counsel having recognized experience and skill in the issuance of municipal securities and federal securities law, acceptable to both the City and the Dissemination Agent, to the effect that the amendment or waiver satisfies the conditions set forth in clauses (a)(i), (ii), and (iii) of this Section 5.

(c) Notice of any amendment or waiver containing an explanation of the reasons therefor shall be given by the Disclosure Representative to the Dissemination Agent upon execution of the

amendment or waiver and the Dissemination Agent shall promptly file such notice with each Repository, the MSRB and the State Information Depository, if any. The Dissemination Agent shall also send notice of the amendment or waiver to each Registered Owner, including owners of book-entry credits in the Bonds who have filed their names and addresses with the Fiscal Agent.

**Section 6. Other Information; Duties Under the Fiscal Agent Agreement, the Sixteenth Series Ordinance or the Second Series Ordinance.**

(a) Nothing in this Disclosure Agreement shall preclude the City from disseminating any other information with respect to the City or the Bonds, using the means of communication provided in this Disclosure Agreement or otherwise, in addition to the Annual Financial Information and the notices of Material Events specifically provided for herein, nor shall the City be relieved of complying with any applicable law relating to the availability and inspection of public records. Any election by the City to furnish any information not specifically provided for herein in any notice given pursuant to this Disclosure Agreement or by the means of communication provided for herein shall not be deemed to be an additional contractual undertaking and the City shall have no obligation to furnish such information in any subsequent notice or by the same means of communication.

(b) Nothing in this Disclosure Agreement shall relieve the Dissemination Agent of any of its duties and obligations under the Fiscal Agent Agreement, the Sixteenth Series Ordinance or the Second Series Ordinance.

(c) Except as expressly set forth in this Disclosure Agreement, the Dissemination Agent shall have no responsibility for any continuing disclosure to the Registered Owners, the MSRB, any Repository or State Information Depository.

**Section 7. Default.**

(a) In the event that the City or the Dissemination Agent fails to comply with any provision of this Disclosure Agreement, any Registered Owner of the Bonds shall have the right, by mandamus, suit, action or proceeding at law or in equity, to compel the City or the Dissemination Agent to perform each and every term, provision and covenant contained in this Disclosure Agreement. The Dissemination Agent shall be under no obligation to take any action in respect of any default hereunder unless it has received the direction in writing to do so by the Registered Owners of at least 25% of the outstanding principal amount of the Bonds and if, in the Dissemination Agent's opinion, such action may tend to involve expense or liability, unless it is also furnished with indemnity and security for expenses satisfactory to it.

(b) A default under the Disclosure Agreement shall not be or be deemed to be an Event of Default under the Bonds, the Sixteenth Series Ordinance, the Second Series Ordinance, the Act or any other agreement related thereto and the sole remedy in the event of a failure of the City or the Dissemination Agent to comply with the provisions hereof shall be the action to compel performance described in Section 7(a) above.

**Section 8. Concerning the Dissemination Agent.**

(a) The Dissemination Agent accepts and agrees to perform the duties imposed on it by this Disclosure Agreement, but only upon the terms and conditions set forth herein. The Dissemination Agent shall have only such duties in its capacity as are specifically set forth in this Disclosure Agreement. To the extent that the duties of First Union National Bank, as Dissemination Agent under this Disclosure Agreement, conflict with its duties as Fiscal Agent, the duties of First Union National Bank, as Fiscal Agent, shall take precedence. The Dissemination Agent may execute any powers hereunder and perform any duties required of it through attorneys, agents, and other experts, officers, or employees, selected by it, and the written advice of such counsel or other experts shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon. The Dissemination Agent shall not be answerable for the default or misconduct of any attorney, agent, expert or employee selected by it with reasonable care. The Dissemination Agent shall not be answerable for the exercise of any discretion or power under this Disclosure Agreement or liable to the City or any other person for actions taken hereunder, except for its own willful misconduct or negligence.

(b) The City shall pay the Dissemination Agent reasonable compensation for its services hereunder, and also all its reasonable expenses and disbursements, including reasonable fees and expenses of its counsel or other experts, as shall be agreed upon by the Dissemination Agent and the City. Nothing in this Section 8(b) shall be deemed to constitute a waiver of governmental immunity by the City. The provisions of this paragraph shall survive termination of this Disclosure Agreement.

(c) The Dissemination Agent shall be protected and shall incur no liability for acting on any resolution, notice, telegram, request, consent, waiver, certificate, statement, affidavit, or other paper or document which it in good faith believes to be genuine and to have been passed or signed by the proper persons or to have been prepared and furnished pursuant to any of the provisions of this Disclosure Agreement; and the Dissemination Agent shall be under no duty to make any investigation as to any statement contained in any such instrument, but may accept the same as conclusive evidence of the accuracy of such statement in the absence of actual notice to the contrary. The Dissemination Agent shall be under no obligation to institute any suit, or to take any proceeding under this Disclosure Agreement, or to enter any appearance or in any way defend in any suit in which it may be made a defendant, or to take any steps in the execution of the duties hereby created or in the enforcement of any rights and powers hereunder, until it shall be indemnified by the Registered Owners to its satisfaction against any and all costs and expenses, outlays and counsel fees and expenses and other reasonable disbursements, and against all liability; the Dissemination Agent may, nevertheless, begin suit or appear in and defend suit, or do anything else in its judgment proper to be done by it as Dissemination Agent, without indemnity.

**Section 9. Term of Disclosure Agreement.**

This Disclosure Agreement shall terminate upon (1) payment or provision for payment in full of the Bonds, or (2) repeal or rescission of Section (b)(5) of the Rule; or (3) a final determination that Section (b)(5) of the Rule is invalid or unenforceable.

**Section 10. Beneficiaries.**

This Disclosure Agreement shall inure solely to the benefit of the City, the Dissemination Agent and the Registered Owners from time to time of the Bonds and nothing herein contained shall confer any right upon any other person.

**Section 11. Notices.**

Any written notice to or demand may be served, presented or made to the persons named below and shall be sufficiently given or filed for all purposes of this Disclosure Agreement if deposited in the United States mail, first class postage prepaid or in a recognized form of overnight mail or by telecopy with confirmation of receipt, addressed:

- (a) To the Dissemination Agent at:

First Union National Bank  
123 South Broad Street  
Philadelphia, Pa. 19109-1199  
Attention: Corporate Trust Administration  
Telecopy No. : (215) 985-7290

- (b) To the City or the Disclosure Representative at:

City of Philadelphia  
Office of the Director of Finance  
Municipal Services Building  
1401 J.F.K. Boulevard  
Philadelphia, PA 19102  
Attention: Director of Finance  
Fax: (215) 568-1947; or

City of Philadelphia  
Office of the City Treasurer  
Municipal Services Building  
1401 J.F.K. Boulevard  
Philadelphia, PA 19102  
Attention: City Treasurer  
Fax: (215) 686-3815

(c) To the MSRB at:

Municipal Securities Rulemaking Board  
1640 King Street, Suite 300  
Alexandria, VA 22314-2719  
Attention: CDI  
Fax: (703) 683-1930

or such other addresses as may be designated in writing to all parties hereto.

**Section 12. No Personal Recourse.**

No personal recourse shall be had for any claim based on this Disclosure Agreement against any member, officer, or employee, past, present or future, of the City (including without limitation, the Disclosure Representative), or of any successor body as such, either directly or through the City or any such successor body, under any constitutional provision, statute or rule of law or by the enforcement of any assessment or penalty or otherwise.

**Section 13. Controlling Law.**

The laws of the Commonwealth of Pennsylvania shall govern the construction and interpretation of this Disclosure Agreement.

**Section 14. Removal and Resignation of the Dissemination Agent.**

The provisions of Section 7.09 of the Fiscal Agent Agreement shall govern the removal or resignation of the Dissemination Agent and are hereby incorporated by this reference as if set forth at length.

**Section 15. Successors and Assigns.**

All of the covenants, promises and agreements contained in this Disclosure Agreement by or on behalf of the City or by or on behalf of the Dissemination Agent shall bind and inure to the benefit of their respective successors and assigns, whether so expressed or not.

**Section 16. Headings for Convenience Only.**

The descriptive headings in this Disclosure Agreement are inserted for convenience of reference only and shall not control or affect the meaning or construction of any of the provisions hereof.

**Section 17. Counterparts.**

This Disclosure Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be an original, but such counterparts shall together constitute but one and the same instrument.

**Section 18. Entire Agreement.**

This Disclosure Agreement sets forth the entire understanding and agreement of the City and the Dissemination Agent with respect to the matters herein contemplated and no modification or amendment of or supplement to this Disclosure Agreement shall be valid or effective unless the same is in writing and signed by the parties hereto.

IN WITNESS WHEREOF, THE CITY OF PHILADELPHIA, PENNSYLVANIA, has caused this Disclosure Agreement to be executed by th. Director of Finance and First Union National Bank, as Dissemination Agent, has caused this Disclosure Agreement to be executed by one of its duly authorized officers, all as of the day and year first above written.

**THE CITY OF PHILADELPHIA,  
PENNSYLVANIA**

By: \_\_\_\_\_  
Director of Finance

**FIRST UNION NATIONAL BANK,  
as Dissemination Agent**

By: \_\_\_\_\_  
Authorized Officer

## APPENDIX "A"

1. Commencing with the fiscal year ending June 30, 1999, a copy of the Comprehensive Annual Financial Report ("CAFR"), which contains the audited combined financial statements of the City, prepared by the office of the Director of Finance of the City in conformance with guidelines adopted by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants' audit guide. Audits of State and Local Government Units; and

2. Commencing with the fiscal year ending August 31, 1999, to the extent such information is not contained in the CAFR, an update of the information in Appendix A - Financial Statements for PGW for Fiscal Years ended August 31, 1998 and 1997 of the Official Statement.

## APPENDIX "B"

### Repositories

Any information to be provided to the Repositories pursuant to this Disclosure Agreement shall be sent via United States mail, first class postage prepaid, or a recognized form of overnight mail or electronic mail delivery to each of the Repositories. The names and addresses of the Repositories designated as such as of the date hereof are as follows:

Bloomberg Municipal Repositories  
P.O. Box 840  
Princeton, NJ 08542-0840  
Phone: (609) 279-3225  
Fax: (609) 279-5962  
E-mail: Munis@Bloomberg.com

DPC Data, Inc.  
One Executive Drive  
Fort Lee, 0702  
Phone: (201) 446-0701  
Fax: (201) 947-0107

Kenny Information Systems, Inc.  
65 Broadway - 16<sup>th</sup> Floor  
New York, NY 10006  
Attn: Kenny Repository Service  
Phone: (212) 770-4595  
Fax: (212) 797-7994

Thomson NRMSIR  
Attn: Municipal Disclosure  
395 Hudson Street, 3<sup>rd</sup> Floor  
New York, NY 10004  
Phone: (212) 807-5001  
or (800) 689-8466  
Fax: (212) 989-2078  
E-mail: Disclosure@Muller.com

APPENDIX "C"

MUNICIPAL SECONDARY MARKET DISCLOSURE  
INFORMATION COVER SHEET

This cover sheet and material event notice should be sent to the Municipal Securities Rulemaking Board, Nationally Recognized Municipal Securities Information Repositories, and the State Information Depository, if applicable, pursuant to Securities and Exchange Commission Rule 15c2-12 or any analogous state statute.

Issuer's and/or Other Obligated Person's Name: \_\_\_\_\_  
CUSIP Numbers (attach additional sheet if necessary): \_\_\_\_\_

Nine-Digit CUSIP Number(s) to which this material event notice relates:  
\_\_\_\_\_

Information relates to all securities issued by Issuer having the following six-digit numbers: \_\_\_\_\_

Number of pages of attached material event notice: \_\_\_\_\_

Description of Material Events Notice (Check One)

- 1. \_\_\_\_\_ Principal and interest payment delinquencies
- 2. \_\_\_\_\_ Non-Payment related defaults
- 3. \_\_\_\_\_ Unscheduled draws on debt service reserves reflecting financial difficulties
- 4. \_\_\_\_\_ Unscheduled draws on credit enhancements reflecting financial difficulties
- 5. \_\_\_\_\_ Substitution of credit or liquidity providers, or their failure to perform
- 6. \_\_\_\_\_ Adverse tax opinions or events affecting the tax-exempt status of the security
- 7. \_\_\_\_\_ Modifications to rights of security holders
- 8. \_\_\_\_\_ Bond calls
- 9. \_\_\_\_\_ Defeasances
- 10. \_\_\_\_\_ Release, substitution, or sale of property securing repayment of the security
- 11. \_\_\_\_\_ Rating changes
- 12. \_\_\_\_\_ Failure to provide annual financial information as required
- 13. \_\_\_\_\_ Other material event notice (specify)

\*14. \_\_\_\_\_ Financial information: Please check all appropriate answers:

CAFR (a) \_\_\_ includes / \_\_\_ does not include Annual Financial information

(b) Audited? \_\_\_ Yes \_\_\_ No

Annual Financial Information: Audited? \_\_\_ Yes \_\_\_ No

Operating Data

Fiscal Period Covered: \_\_\_\_\_

\*Financial Information should not be filed with the MSRB.

I hereby represent that I am authorized by the Issuer as an agent to distribute this information publicly:

Signature \_\_\_\_\_

Name: \_\_\_\_\_ Title: \_\_\_\_\_

Employer: \_\_\_\_\_

Address: \_\_\_\_\_

City, State, Zip Code: \_\_\_\_\_

Voice Telephone Number ( ) \_\_\_\_\_

Please print the material event notice attached to this cover sheet in 10-point type or larger.

The cover sheet and notice may be faxed to the MSRB at (703) 683-1930. Contact the MSRB at (202) 223-9503 with questions regarding this form or the dissemination of this notice.

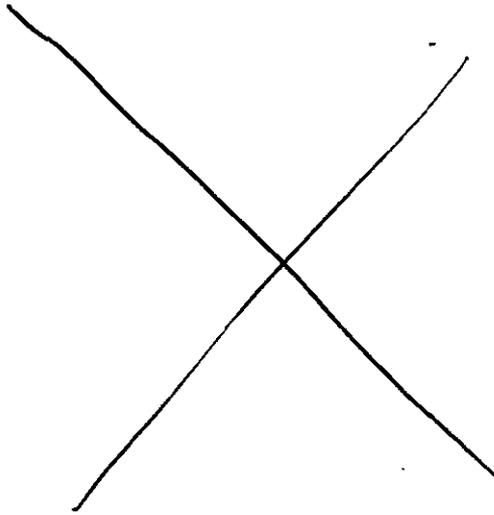
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## **Appendix F**

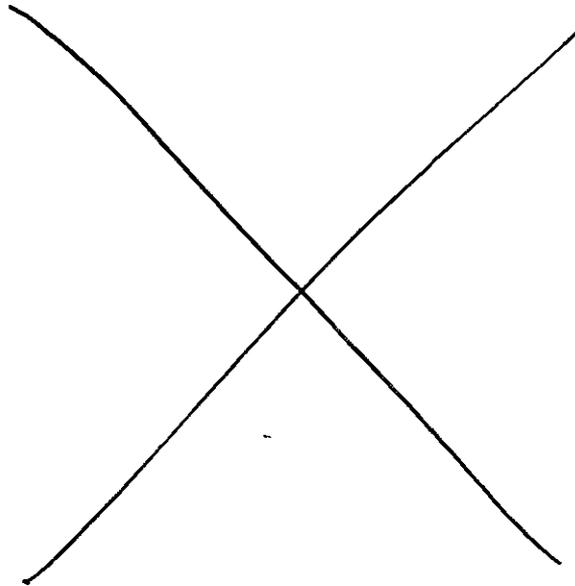
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Text of Proposed Opinion of Co-Bond Counsel

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TEXT OF PROPOSED OPINION  
OF CO-BOND COUNSEL

The City of Philadelphia, Pennsylvania  
640 Municipal Services Building  
1401 John F. Kennedy Boulevard  
Philadelphia, PA 19102

Re: \$ 62,315,000 City of Philadelphia Gas Works Revenue  
Bonds (1975 General Ordinance), Sixteenth Series and  
\$113,965,000 City of Philadelphia Gas Works Revenue  
Bonds (1998 General Ordinance), Second Series

Ladies and Gentlemen:

We have acted as Co-Bond Counsel to The City of Philadelphia, Pennsylvania (the "City") in connection with the issuance and sale by the City of \$62,315,000 aggregate principal amount of its Gas Works Revenue Bonds (1975 General Ordinance), Sixteenth Series (the "Sixteenth Series Bonds") pursuant to The First Class City Revenue Bond Act of the Commonwealth of Pennsylvania, Act No. 234, approved October 18, 1972 (P.L. 955) (the "Act"), the City's General Gas Works Revenue Bond Ordinance of 1975, approved May 30, 1975, as amended (the "1975 General Ordinance"), and the Sixteenth Supplemental Ordinance to the 1975 General Ordinance, approved May 31, 1999 (the "Sixteenth Supplemental Ordinance") and the issuance and sale by the City of \$113,965,000 aggregate principal amount of its Gas Works Revenue Bonds (1998 General Ordinance), Second Series (the "Second Series Bonds") pursuant to the Act, the City's General Gas Works Revenue Bond Ordinance of 1998, approved May 8, 1998 (the "1998 General Ordinance"), and the Second Supplemental Ordinance to the 1998 General Ordinance, approved May 31, 1999 (the "Second Supplemental Ordinance"). The 1975 General Ordinance, the Sixteenth Supplemental Ordinance, the 1998 General Ordinance and the Second Supplemental Ordinance are referred to herein collectively as the "Ordinances" and the Sixteenth Series Bonds and the Second Series Bonds are referred to herein collectively as the "Bonds."

The proceeds from the sale of the Sixteenth Series Bonds will be used to (i) refund certain Gas Works Revenue Bonds issued under the 1975 General Ordinance, (ii) pay the costs of issuance of the Sixteenth Series Bonds and make any required deposit to the Sinking Fund Reserve under the 1975 General Ordinance, and (iii) pay any other Project Costs (as defined in the Act) relating to the refunding of the prior bonds or the issuance of the Sixteenth Series Bonds.

The proceeds from the sale of the Second Series Bonds will be used to (i) pay the costs of capital projects of the Philadelphia Gas Works (the "Gas Works"), (ii) pay the costs of issuance of the Second Series Bonds and make any required deposit to the Sinking Fund Reserve under the 1998 General Ordinance, and (iii) pay any other Project Costs (as defined in the Act).

In our capacity as Co-Bond Counsel to the City, we have examined such statutes of the Commonwealth of Pennsylvania and such ordinances of the City and proceedings relating thereto as we have deemed necessary to enable us to render the opinion set forth below. We have also examined and relied upon the proceedings authorizing the issuance of the Bonds and certain certifications, agreements (including an Arbitrage and Tax Compliance Certificate intended to satisfy certain provisions of the Internal Revenue Code of 1986, as amended (the "Code"), and applicable Treasury Regulations), affidavits, receipts and other documents, including specimen Bonds, which we have considered relevant. We have also relied on the Fiscal Agent's certification as to its execution of the Bonds.

In rendering the opinion set forth below, we have relied upon the genuineness, authenticity, truthfulness and completeness of all documents, records and other instruments we have examined and the genuineness of all signatures. We have not undertaken to verify the factual matters set forth therein by independent investigation. Except as set forth in paragraphs 4 and 5 below, our opinion is given only with respect to the laws of the Commonwealth of Pennsylvania as enacted and construed on the date hereof.

On the basis of the foregoing and subject to the qualifications hereinafter stated, we are of the opinion, under existing law, that:

1. The City has the power to perform its obligations under the Ordinances and to issue and sell the Bonds.
2. All conditions precedent to the issuance of the Bonds pursuant to the Act and the Ordinances have been satisfied, and the purposes for which the Bonds have been issued are permitted purposes under the Act and the respective Ordinances.
3. The Bonds have been duly authorized, executed, issued and delivered by the City and are the legal, valid and binding limited obligations of the City, enforceable in accordance with their terms.
4. Interest on the Bonds is excluded from gross income for federal income tax purposes. The opinion set forth in the preceding sentence is subject to the condition that the City complies with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be (or continue to be) excluded from gross income for federal income tax purposes. Failure to comply with certain of such

requirements could cause the interest on the Bonds to be so included in gross income retroactive to the date of issuance of the Bonds. The City has covenanted to comply with all such requirements.

5. Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, it should be noted that with respect to certain corporations (as defined for federal income tax purposes) such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on such corporations.

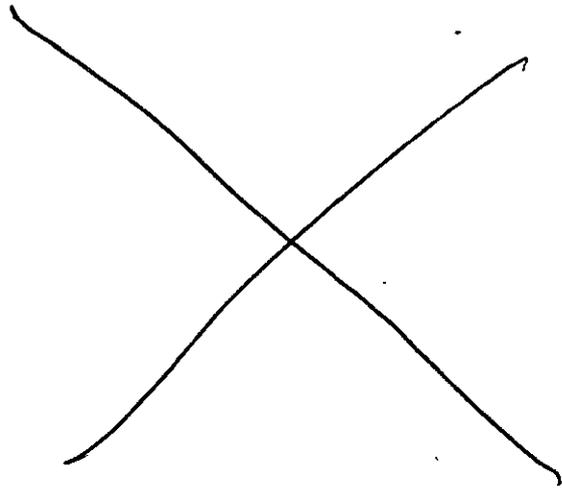
6. Under the laws of the Commonwealth of Pennsylvania, the interest on the Bonds is exempt from Pennsylvania personal income tax and from Pennsylvania corporate net income tax, and the Bonds are exempt from personal property taxes in Pennsylvania.

With respect to the foregoing, it is to be understood that the rights of the holders of the Bonds and the enforceability of the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally or equitable principles, whether considered in a proceeding at law or in equity.

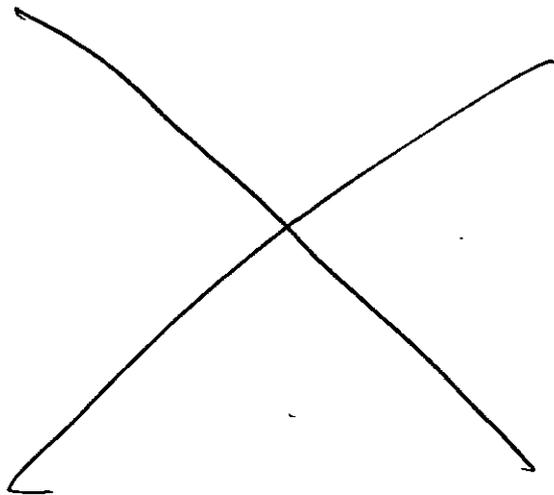
We express no opinion as to any matter not set forth herein, including federal or state tax consequences arising with respect to the Bonds other than as expressed in paragraphs 4, 5 and 6 above, or as to the accuracy, adequacy or completeness of the Official Statement prepared with respect to the Bonds, and we make no representation that we have independently verified the contents of such Official Statement.

We call to your attention that the Sixteenth Series Bonds are limited obligations of the City, payable only out of Project Revenues (as defined in the 1975 General Ordinance) and moneys which may be available therefor in the Sinking Fund under the 1975 General Ordinance, including the Sinking Fund Reserve therein, and that the Second Series Bonds are limited obligations of the City, payable only out of the Gas Works Revenues (as defined in the 1998 General Ordinance) and moneys which may be available therefor in the Sinking Fund under the 1998 General Ordinance, including the Sinking Fund Reserve therein, and that neither the credit nor taxing power of the City is pledged for the payment of the principal of or interest on the Bonds. The Sixteenth Series Bonds and the Second Series Bonds do not create a charge against the tax or general revenues of the City or any property of the City other than the Project Revenues and Gas Works Revenues, respectively, and amounts available therefor in the Sinking Fund under the 1975 General Ordinance and the Sinking Fund under the 1998 General Ordinance, respectively.

This opinion is given as of the date hereof, and we assume no obligation to update or supplement this opinion to reflect any facts or circumstances which may hereafter come to our attention or any changes in laws which may hereafter occur.



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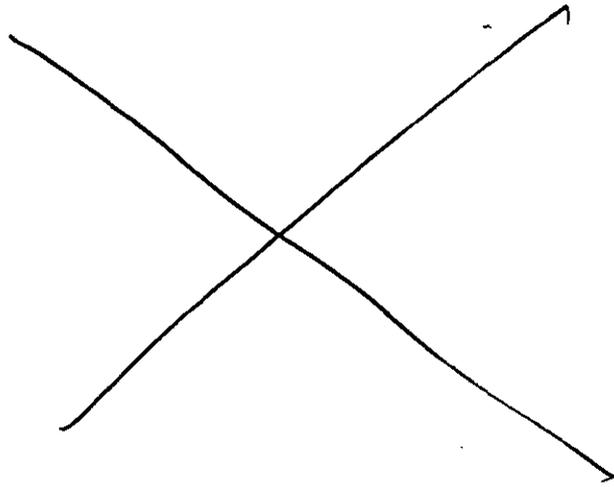
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## **Appendix G**

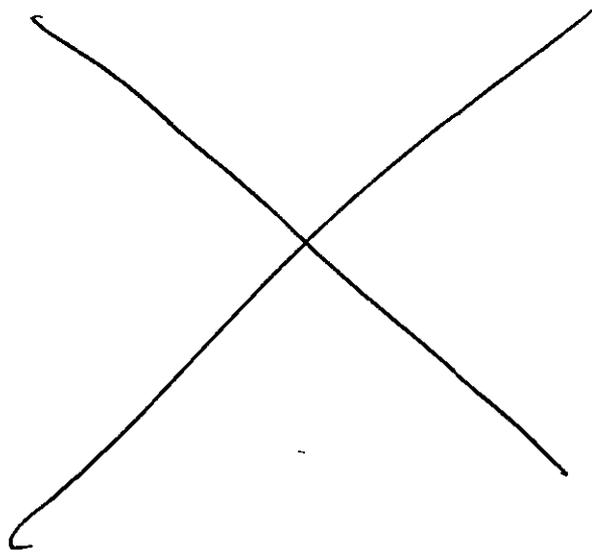
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Specimen Municipal Bond Insurance Policy

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made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to Financial Security which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

Financial Security may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to Financial Security pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to Financial Security and shall not be deemed received until received by both and (b) all payments required to be made by Financial Security under this Policy may be made directly by Financial Security or by the Insurer's Fiscal Agent on behalf of Financial Security. The Insurer's Fiscal Agent is the agent of Financial Security only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of Financial Security to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, Financial Security agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud, whether acquired by subrogation, assignment or otherwise) to the extent that such rights and defenses may be available to Financial Security to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of Financial Security, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, FINANCIAL SECURITY ASSURANCE INC. has caused this Policy to be executed on its behalf by its Authorized Officer.

(Countersignature)

FINANCIAL SECURITY ASSURANCE INC.

BY \_\_\_\_\_

By \_\_\_\_\_  
Authorized Officer

A subsidiary of Financial Security Assurance Holdings Ltd.  
350 Park Avenue, New York, N.Y. 10022-6022

(212) 826-0100

Form 580NY (5/90)



**FINANCIAL  
SECURITY  
ASSURANCE.**

**MUNICIPAL BOND  
INSURANCE POLICY**

ISSUER:

BONDS:

Policy No. N

Effective Date:

Premium: \$

FINANCIAL SECURITY ASSURANCE INC. ("Financial Security"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of Financial Security, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment on the Business Day next following the Business Day on which Financial Security shall have received Notice of Nonpayment, Financial Security will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by Financial Security, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in Financial Security. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by Financial Security is incomplete, it shall be deemed not to have been received by Financial Security for purposes of the preceding sentence and Financial Security shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, Financial Security shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by Financial Security hereunder. Payment by Financial Security to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of Financial Security under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless Financial Security shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment



**FINANCIAL  
SECURITY  
ASSURANCE®**

**MUNICIPAL BOND  
INSURANCE POLICY**

ISSUER: City of Philadelphia, Pennsylvania

Policy No.: 25306-N

BONDS: \$62,315,000 in aggregate principal amount of  
Gas Works Revenue Bonds (1975 General  
Ordinance), Sixteenth Series dated June 1,  
1999

Effective Date: June 23, 1999

Premium: \$520,875.59

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14  
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FINANCIAL SECURITY ASSURANCE INC. ("Financial Security"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of Financial Security, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto); that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which Financial Security shall have received Notice of Nonpayment, Financial Security will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by Financial Security, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in Financial Security. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by Financial Security is incomplete, it shall be deemed not to have been received by Financial Security for purposes of the preceding sentence and Financial Security shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, Financial Security shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by Financial Security hereunder. Payment by Financial Security to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of Financial Security under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless Financial Security shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to Financial Security which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

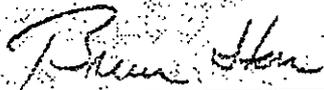
Financial Security may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to Financial Security pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to Financial Security and shall not be deemed received until received by both and (b) all payments required to be made by Financial Security under this Policy may be made directly by Financial Security or by the Insurer's Fiscal Agent on behalf of Financial Security. The Insurer's Fiscal Agent is the agent of Financial Security only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of Financial Security to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, Financial Security agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to Financial Security to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of Financial Security, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, FINANCIAL SECURITY ASSURANCE INC. has caused this Policy to be executed on its behalf by its Authorized Officer.

FINANCIAL SECURITY ASSURANCE INC.

By   
Authorized Officer

A subsidiary of Financial Security Assurance Holdings Ltd.  
350 Park Avenue, New York, N.Y. 10022-6022

(212) 826-0100

Form 500NY (5/90)



**FINANCIAL  
SECURITY  
ASSURANCE®**

## **MUNICIPAL BOND INSURANCE POLICY**

ISSUER: City of Philadelphia, Pennsylvania

Policy No.: 25311-N

BONDS: \$113,965,000 in aggregate principal amount of  
Gas Works Revenue Bonds, (1998 General  
Ordinance), Second Series dated June 1, 1999

Effective Date: June 23, 1999

Premium: \$1,241,564.02

FINANCIAL SECURITY ASSURANCE INC. ("Financial Security"); for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of Financial Security, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which Financial Security shall have received Notice of Nonpayment, Financial Security will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by Financial Security, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in Financial Security. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by Financial Security is incomplete, it shall be deemed not to have been received by Financial Security for purposes of the preceding sentence and Financial Security shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, Financial Security shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by Financial Security hereunder. Payment by Financial Security to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of Financial Security under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption); acceleration or other advancement of maturity unless Financial Security shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer, which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to Financial Security which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

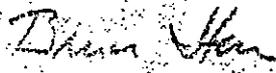
Financial Security may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to Financial Security pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to Financial Security and shall not be deemed received until received by both and (b) all payments required to be made by Financial Security under this Policy may be made directly by Financial Security or by the Insurer's Fiscal Agent on behalf of Financial Security. The Insurer's Fiscal Agent is the agent of Financial Security only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of Financial Security to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, Financial Security agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to Financial Security to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of Financial Security, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, FINANCIAL SECURITY ASSURANCE INC. has caused this Policy to be executed on its behalf by its Authorized Officer.

FINANCIAL SECURITY ASSURANCE INC.

By 

Authorized Officer

A subsidiary of Financial Security Assurance Holdings Ltd.  
350 Park Avenue, New York, N.Y. 10022-6022

(212) 826-0100

Form 500NY (5/90)

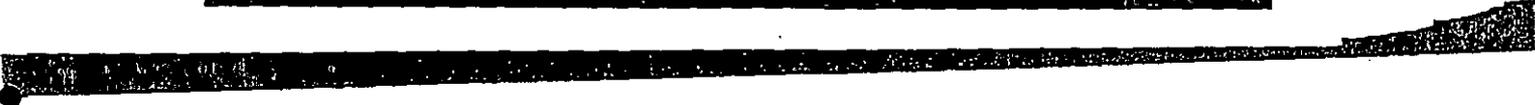
**Independent Consultant's Report  
for  
Philadelphia Gas Works**

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**Gas Works Revenue Bonds,  
(1998 General Ordinance), Second Series  
and  
Gas Works Revenue Bonds,  
(1975 General Ordinance), Sixteenth Series**

**May, 1999**

**▲ Stone & Webster Management Consultants, Inc.**



# Stone & Webster

Founded 1889

May 6, 1999

Honorable Ben Hayllar  
Director of Finance  
City of Philadelphia  
1401 John F. Kennedy Boulevard  
1330 Municipal Services Building  
Philadelphia, Pennsylvania 19102

Subject: Independent Consultant's Report  
City of Philadelphia, Pennsylvania  
Gas Works Revenue Bonds (1998 General Ordinance), Second Series and  
Gas Works Revenue Bonds (1975 General Ordinance), Sixteenth Series

Dear Mr. Hayllar:

The attached report contains the findings and conclusions of Stone & Webster Management Consultants, Inc., (Stone & Webster) with respect to the issuance of up to \$115,000,000 of Gas Works Revenue Bonds (1998 General Ordinance), Second Series (the "Second Series Bonds") and up to \$80,000,000 of Gas Works Revenue Bonds (1975 General Ordinance) Sixteenth Series (the "Sixteenth Series Bonds") (collectively the "Bonds").

The Second Series of Bonds are being issued in order to fund a portion of the Philadelphia Gas Works' (PGW) capital improvement program, fund a sinking fund reserve and pay the costs of issuance. These Bonds will constitute the second debt issued under the 1998 General Ordinance. The Sixteenth Series Bonds are being issued to refund all or a portion of the City's outstanding Gas Works Revenue Bonds, Eleventh Series C and Fourteenth Series as well as fund a sinking fund reserve and pay costs of issuance. These Bonds will be issued under the 1975 General Ordinance.

Stone & Webster has broad experience in the technical and financial analysis of the operation of a gas distribution system of the magnitude and scope of PGW and has a favorable reputation for competence in such field and is qualified to do such work (see Appendix for Stone & Webster qualifications).

## SCOPE OF WORK

Stone & Webster has prepared a detailed report including historic and forecast schedules. The basis for the report is our review of PGW's operations, facilities, and its customer, sales, and financial forecasts. As the basis for our report, we have conducted an independent investigation of such physical properties and books and records that we deemed necessary in order to make the findings and conclusions contained herein. The report also provides an assessment of the condition of the physical plant including PGW's existing production, storage and distribution facilities, among others, based upon on-site inspections of facilities. It reviews and evaluates existing and planned natural gas transport and supply contracts with respect to volumes of gas to be delivered and evaluates the adequacy of present inventory, current and future gas supplies, pipeline transportation

Stone & Webster Management Consultants, Inc.

One Penn Plaza, 250 W. 34th Street

New York, New York 10119-2998

Phone: 212.290.7000

Fax: 212.290.7033

www.stoneweb.com

capacity, and supplemental gas production capabilities. Furthermore, an evaluation and description of PGW's capital improvement program for fiscal years 1999 through 2005 is addressed with the objective of judging the consistency and reasonableness of the major replacements and improvements which will be made to the gas system.

The report provides an overview of PGW's long-term capital program and an assessment of the regulatory and rate setting environment under which the imposition and collection of rates and charges will occur. This financial assessment, based on PGW's 1999 through 2005 financial forecast, is structured to permit the reader to make an estimate of PGW's ability to meet the current and future costs of operation and maintenance, as well as its ability to meet debt service coverage tests and other bond covenants set forth in the legislation which governs debt financing.

## FINDINGS AND CONCLUSIONS

Detailed findings and conclusions are contained in the attached report; however, subject to such findings and conclusions, the following points summarize Stone & Webster's key opinions relevant to issuance of the Bonds:

### Operations

- PGW is a competently managed and operated gas distribution utility. PGW and its facilities are organized, operated and maintained at a level equal to or in excess of regulatory requirements and generally accepted industry practices. Based upon our investigation, we believe PGW's facilities are in good operating condition.

### Finance

- Based on our investigation and evaluation of financial forecast information covering the period 1999 through 2005, and on the basis of actual and estimated future annual financial operations of PGW's facilities and certain assumptions with respect thereto over the amortization period of either the Second Series Bonds or the Sixteenth Series Bonds, which assumptions we believe are reasonable, current and future project revenues which are pledged under the General Ordinances (hereinafter defined) comply with the requirements of the definition of project revenues in Section 2 of The First Class City Revenue Bond Act (the "Act") and, over the amortization period of the Bonds, will be adequate to meet all expenses of operation and maintenance, repair and replacement, reserve fund deposits, debt service on the bonds issued under the General Ordinances as the same shall become due and payable and the surplus requirements of the rate covenants contained in Section 4.03(b) of the Ordinance of City Council approved May 30, 1975, Bill Number 1871, as amended (the "1975 General Ordinance") and in Section 4.03(b) of the General Gas Works Revenue Bond Ordinance of 1998 (the "1998 General Ordinance") (collectively the "General Ordinances").
- The project revenues which are pledged as security for the bonds issued under the General Ordinances are projected to be sufficient to comply with the rate covenants set forth in Section 4.03(b) of each of the General Ordinances. The forecast projects an increase in the amount of \$20 million of revenue enhancement in 2002 which continue thereafter. These enhancements can be effected by either a general rate increase or from equivalent savings in operating expenses or from a combination of both.
- The capital improvements included in this forecast which are needed to meet current budgeted and forecasted results, 2000 through 2005, are premised on additional funds amounting to \$75 million. It is anticipated that this will be financed by a revenue bond placement in fiscal year 2003. It is assumed for purposes of this report that all revenue bonds will be tax exempt and the 2003 bonds will be issued at an interest rate no greater than 6.5%.

### Management

- Since October, 1998, there has been significant turnover in senior management. These positions have been filled either on a temporary or permanent basis, except for the Chief Financial Officer whose functions have been otherwise allocated.

### Capital Expenditures

- The capital improvements proposed during the budget and forecast period, 2000 through 2005, will, along with continued good operation and maintenance practices, enable PGW to maintain its system in good operating condition. Our review of present management practices indicates that this is likely to continue, provided the necessary capital budgets of PGW are approved. (Detailed engineering quality assurance inspections and testing were not performed.)

### RFP Process

- In early 1999 the Philadelphia Facilities Management Corporation ("PFMC") Board, a non-profit Pennsylvania corporation incorporated by the City for the purpose of operating PGW, requested qualifications from and initiated discussions with a large number of utilities to determine their interest and ability and the feasibility and desirability of contracting out for all or a portion of the management functions of PFMC. After an interview and review process, PFMC has determined to proceed with a request for proposal (RFP) process to possibly contract out only the gas management and supply function. PFMC has decided not to pursue an RFP for more general management services at this time.

### Gas Supplies

- Contracted PGW gas supplies plus spot market purchases plus anticipated additional contracted supplies plus supplemental gas capacities as well as the pipeline transport capacity to move these supplies to PGW are adequate to meet PGW's forecast of demand on a day of maximum demand (a design peak day), or an hour of maximum demand (a design peak hour), and during a year of maximum demand (a design peak year). If PGW's plans for outsourcing of supply services materialize, in Stone & Webster's opinion this would not impact PGW's ability to continue to meet maximum demands.

### Sales

- The continuing decline in Philadelphia population (estimated to have declined 9.4% between 1990 and 1998) and loss of jobs (decline of 4.0% between 1980 and 1990), if they continue, will eventually limit residential customer growth. This assumption is included in PGW's forecast.
- Fiscal year 1999 is turning out to be warmer than most years. PGW's current estimate (based on actual data through February 1999 and six months of best projections based upon currently available information) is that fiscal year 1999 will have 14.7% fewer degree days than an average year, decreasing expected firm sales for the year.

- PGW firm sales volumes over the forecast period (2000 to 2005) are expected to increase by 1.7 percent. Interruptible sales volumes are forecasted to increase 21.6% over the same period and transport sales are projected to be flat.

Legislation

- No change in current legislation has been factored into these forecasts, since bills pending in the Pennsylvania state legislature concerning open access on distribution systems have not been enacted at the date of this report and at such date such bills do not apply to municipal utilities such as PGW.

The accompanying forecasts are based on assumptions of future events and should not be construed as a statement of fact. These assumptions have been provided by or have been reviewed with and approved by PGW and are based on present circumstances and information currently available. During this assignment, we analyzed such information as was considered appropriate for use in evaluating the assumptions pertaining to the financial statement forecasts. Based on current information, we believe that the assumptions are reasonable. These assumptions may be affected by future events and, therefore, the actual results that will be achieved may vary from the forecast.

Sincerely,

STONE & WEBSTER MANAGEMENT CONSULTANTS, INC.



Edward A. McGee  
Vice President  
(Responsible Officer)



Christopher A. Pioli  
Executive Consultant  
(Project Manager)

INDEPENDENT CONSULTANT'S  
REPORT ON THE PHILADELPHIA GAS WORKS

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Notes \* Figures, Tables and Exhibits are based on data supplied by PGW.

\*\* Figures 3 and 4 are based on data supplied by the Delaware Valley Regional Planning Commission and the PA Department of Labor & Industry, respectively.

## INTRODUCTION

The Philadelphia Gas Works ("PGW"), a city owned gas distribution utility in the City of Philadelphia (City), retained Stone & Webster Management Consultants, Inc. ("Stone & Webster") to prepare this report in connection with the issuance of up to \$115,000,000 Gas Works Revenue Bonds (1998 General Ordinance), Second Series (the "Second Series Bonds") and up to \$80,000,000 Gas Works Revenue Bonds (1975 General Ordinance), Sixteenth Series (the "Sixteenth Series Bonds"). Stone & Webster was asked to investigate, evaluate and state conclusions regarding:

- The adequacy of PGW gas supplies and their transport capacity on feeder pipelines;
- The adequacy of current and future PGW revenues to meet operation and maintenance expenses, reserve fund deposits, debt service on the Bonds, lease payments on certain leased assets, and the rate covenant requirements of the General Ordinances rate covenants; and,
- The appropriateness of the capital improvements (being financed with the proceeds of the Bonds as well as through leases and internally generated funds) to maintain the PGW system in good operating condition.

The findings and conclusions regarding these issues are contained in this report. Historical and forecast statistics and related figures are displayed in Figures 1-10, Tables 1-18 and Exhibits I-VI which are an integral part of this report. This report also contains Stone & Webster's independent assessment of PGW's organization, management, and overall strategic plan.

During the second quarter of 1999, a review and evaluation, based upon on-site inspections, was made of production, storage, distribution and general plant facilities. The adequacy of gas supply and transport resources to meet forecast requirements was determined. The capital improvements program was evaluated as to the appropriateness of quantities and estimates of material and labor prices, and justification of improvements and benefits to the gas physical system. An evaluation was also conducted of the five major computer mainframe systems being purchased and customized during the early years of the forecast, since they also represent a major portion of the capital program. Finally, Stone & Webster assessed the regulatory and rate setting environment which was factored into a series of pro-forma financial forecasts for purposes of analysis. This analysis permitted us to estimate PGW's ability to meet the current and future costs of operations, maintenance and debt service coverage requirements and other bond covenants set forth in the statutes which govern debt financing.

Fiscal year 1999 is turning out to be warmer than most years. PGW's most recent estimate (based on six months of actual results through February and six months of projections based upon currently available information) is that the year will produce 3,925 degree days, a decrease of 14.7% from average weather. On this basis a "Current Estimate" of operations and financial results was compiled and is shown together with expectations for the budget and forecast years in most tables and exhibits at the end of this report.

Major factors and key assumptions relative to the forecast are listed below and are discussed in more detail in the report:

- Based on our financial analyses, continuing GCR (gas cost recovery) adjustments will be required in order for PGW to meet the financial forecasts included herein and the terms of its bond covenants.

- The forecast envisions an increase in the amount of \$20 million in 2002 from either a general rate increase or from savings in operating expenses or from a combination of both.
- Capital Improvement Program – An additional revenue bond issue will be required to fund the capital program in the year 2003. The revenue bond issue is assumed to be tax exempt and have no greater than a 6.5% interest rate.
- Legislation - No change in current legislation has been factored into these forecasts, since various Commonwealth of Pennsylvania proposals concerning open access on distribution systems are still unresolved and since there is no clear indication regarding which, if any, portions of such legislation might apply to a municipal utility such as PGW.
- Accounts Receivable - The decline in Accounts Receivable observed over the five year period from 1994 through 1998 as a result of continuing and increasing emphasis on collections is assumed to continue during the current year 1999 and the budget year 2000 before turning up slightly as revenues increase in forecast years over the forecast period.
- Information Technology - The aggressive effort to convert all five major business applications during the past year is expected to lead to their implementation prior to the end of calendar 1999. One of the five applications (Accounting and Finance) has been implemented. Should any of the remaining applications not continue on schedule for implementation prior to the end of calendar 1999, contingency plans are in place to continue use of the prior application(s) and modify them to assure operability through and beyond Year 2000.

## GENERAL

### THE PHILADELPHIA GAS WORKS

The Philadelphia Gas Works consists of real and personal property, whether tangible or intangible, owned by the City of Philadelphia, plus the organization and personnel necessary for the acquisition, transport, delivery and sale of natural gas within the City.

In March 1835 a City Ordinance was passed authorizing private ownership and operation of a public gas utility under trustee management. This Ordinance also contained an option clause permitting the City to take ownership of PGW by issuing City bonds to the private stockholders. This option initiating City ownership of PGW was exercised March 1, 1841, and has since been continuously in effect. Manufactured gas production commenced February 8, 1836 and service was inaugurated February 10, 1836 to 46 gas lamps along Second Street. PGW thus has completed 163 years of service to the citizens of Philadelphia.

During its 163 years of existence, the operation and management of PGW has evolved to its present configuration through a variety of arrangements. Initially it was managed by the private owners. In 1841, a Board of Trustees assumed management of PGW in accordance with an enabling City Ordinance. This arrangement continued through April, 1887 when management and operation of PGW was assumed by the City under the Director of Public Works. Serious financial and operating problems led to replacement of this arrangement on November 12, 1897. At that time, the City, unable to sell PGW, contracted with the United Gas Improvement Company (UGI), now UGI Corporation, for the operation and management of PGW under authority granted by the City Charter. Operation and management by UGI continued through December 31, 1972.

On January 1, 1973 the Philadelphia Facilities Management Corporation ("PFMC"), a not-for-profit Pennsylvania corporation, was incorporated by the City for the specific purpose of operating PGW. PFMC currently manages PGW in accordance with the original Agreement with the City dated December 29, 1972 as subsequently amended (the "Agreement").

<u>Organization</u>	<u>Function</u>
City of Philadelphia	Owns PGW property and establishes legislation for PGW functioning.
The Gas Commission	Established under the Philadelphia Home Rule Charter, and is responsible for overseeing operation of PGW by the PFMC and is charged with regulating rates.
PFMC	Provides executive management and operates PGW facilities.
PGW	Manages construction, operation and maintenance of the gas system on a day-to-day basis.

The Agreement states that for the operation of PGW the PFMC shall provide:

- A Chief Executive Officer,
- A Chief Operating Officer,
- A Chief Financial Officer, and
- Other personnel as deemed appropriate by PFMC.

All PFMC personnel are subject to the approval of the Philadelphia Gas Commission (the "Commission"). The Commission consists of five members: the City Controller (or his designee), two Mayoral appointees, and two City Council appointees. The Commission has the general responsibility to oversee operation of PGW by PFMC and retains all powers not specifically granted to PFMC. In addition, the Agreement specifies certain functions of the Commission, mainly:

- Approval of PFMC personnel,
- Review and make recommendations regarding gas supply contracts for City Council approval,
- Approval of PGW's annual operating budget,
- Review and make recommendations regarding PGW capital budgets for City Council approval,
- Approval of short-term loans,
- Power to establish procurement standards and to fix and regulate rates and charges for supplying gas to customers other than the City and the Board of Education, which will annually produce revenues sufficient to:
  - pay all operating and maintenance expenses of PGW and the interest and amortization expense of its debt,
  - pay \$18,000,000 to the City each year and,
  - provide such other funds as may be approved by the Gas Commission or City Council.
- Review and approval of all PGW real estate acquisitions, sales, or leases for submittal to City Council for approval by ordinance.

## **ORGANIZATION AND ADMINISTRATION**

The current PGW organization, a typical line organization, is shown in Figure I. In preparing this study interviews were conducted with a Board Member of PFMC and all of PGW's officers: Interim President, Executive Vice President, Senior Vice President, and six of the eight Vice Presidents. We also interviewed PGW's Controller, and a number of its Managers and Directors. The interviews were supplemented by review of PGW policies, practices, procedures and field observation of numerous employees at various facilities performing their functions. Based on these interviews, reviews and observations, it is our opinion that PGW is suitably organized, managed, and operated by qualified personnel.

Total PGW employment as of March 31, 1999 was 1,903. The Gas Works Employees' Union of Philadelphia, Local #686, Service Employees' International Unit (an AFL-CIO affiliated union) represents 1,521 employees. The Amalgamated Plant Guard Workers of America union contract expired August 31, 1998 and was not renewed. These figures represent a substantial decrease from personnel levels a decade ago in accordance with the Gas Commission's order of October, 1988, directed at reduction of expenses, and recommendations contained in the revitalization plan of 1995 by a turnaround consulting/management firm.

On August 6, 1993 there was a work stoppage by the Gas Works Employees' Union over a number of issues, including salary issues, in the proposed contract. This work stoppage lasted 85 days until it was settled in October, 1993 with a five-year agreement. It was the third work stoppage in the history of PGW. The first two which occurred in 1971 and 1989 were of shorter duration. The May 15, 1998 contract expires May 15, 2001.

During 1998 PGW experienced a number of changes in its management. In the Fall of 1998, at the expiration of employment contracts for previous management<sup>1</sup>, PFMC assigned Mr. Benjamin Hayllar as Interim President and Chief Executive Officer of PGW. Dr. Hayllar was selected based on his strong financial background and previous experience as Director of Finance for the City of Philadelphia. The following brief resumes provide pertinent information on the major management qualifications of the current PFMC/PGW Senior Officers:

#### PGW Officers

##### Ben Hayllar – Interim President and Chief Executive Officer

Dr. Hayllar is currently Interim President and Chief Executive Officer of PGW. He also serves on the Philadelphia Facilities Management Corporation's Board of Directors, the governing board for PGW, having been appointed to the Board on December 19, 1994.

Dr. Hayllar also serves as the Director of Finance, City of Philadelphia, appointed by Mayor Edward G. Rendell on October 4, 1993. As a member of the Mayor's Cabinet and the Chief Financial Officer of the City, he is responsible for financial and fiscal policy development and directly oversees all City financial activities, including Budget, Accounting, Revenue Collection, Treasury, Procurement, Minority Business Enterprise Council, Risk Management and Bureau of Administrative Adjudication.

Prior to joining the City of Philadelphia, Dr. Hayllar was the Director of Finance for the City of Pittsburgh (1989-1993) responsible for tax revenue collection and investment, employee benefits and payroll, long range fiscal planning and municipal debt management, and was Trustee for maintenance and disposition of properties acquired through tax. From 1985-1989, he was Vice President/Division manager, Metropolitan Banking, at Equibank.

Dr. Hayllar received his Ph.D. in communications from the University of Pittsburgh. His M.A. and B.A. are also from the University of Pittsburgh.

##### Gregory D. Martin, Executive Vice President and Chief Operating Officer

Mr. Martin is Executive Vice President and Chief Operating Officer of the PGW. In this capacity, Mr. Martin manages the gas operations, customer service and systems technology activities.

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<sup>1</sup> An investigation is ongoing into expense spending and certain other actions on the part of certain outgoing previous senior personnel.

Prior to his appointment to PGW, Mr. Martin was Vice President, Gas Management at Equitable Gas Company in Pittsburgh, Pennsylvania. There, he directed and managed the gas supply purchasing, planning, off-system marketing and sales, federal regulatory, retail transportation and gas measurement functions. He also held the position of Vice President, Consumer Products at Equitable Gas - Energy, a non-regulated marketing affiliate of Equitable Gas Company. Mr. Martin has also held positions as Gas Procurement Administrator, with the Charlottesville Gas Utility Division in Charlottesville, Virginia, Special Assistant to Commissioner Wesley Long at the District of Columbia Public Service Commission and Special Assistant to Commissioner Matthew Holder at the Federal Energy Regulatory Commission.

Mr. Martin holds an M.A. and B.A. in Political Science from the University of Wisconsin and University of New Orleans, respectively.

Abby L. Pozefsky, Sr. Vice President and General Counsel

Ms. Pozefsky was appointed Senior Vice President and General Counsel of PGW in July 1998. She serves as General Counsel, managing all legal work, and is also responsible for oversight of the Human Resources Department.

Ms. Pozefsky previously held the position of Chief Deputy City Solicitor of Regulatory Affairs for the City of Philadelphia Law Department. In her twelve years with the City Law Department she served in various capacities, including General Counsel to the Water Department, the Philadelphia Airport and the City Municipal Energy Office.

Ms. Pozefsky received a B.A. degree from the University of Pennsylvania and a Juris Doctor degree from New York University Law School.

Thomas M. Smyth, Vice President, Controller and Chief Accounting Officer

Mr. Smyth was appointed the Vice President, Controller and Chief Accounting Officer, in February 1999. He is responsible for all financial reporting, accounts payables, fixed assets and related duties. He previously held the position of Executive Director-Internal Auditing since starting with PGW in July 1997.

Before joining PGW, Mr. Smyth held various positions with the Bell Atlantic Corporation and a major transportation company.

Mr. Smyth received his B.S. degree from Delaware Valley College and an M.B.A. from LaSalle University. He is a member of the American Institute of Certified Public Accountants and the Pennsylvania Institute of Certified Public Accountants.

PFMC Board of Directors

J. Gregory Driscoll serves as Chairman of the Board of PFMC. Other members of the Board, most of whom have been appointed since 1995 include Andre L. Dennis, Esq., Ben Hayllar, William J. Marrazzo, Rev. William B. Moore, Dennis Arouca, Esq. and Jamie Sheller, Esq.

## SERVICE AREA

Philadelphia Gas Works is the largest municipally-owned gas utility in the nation. PGW purchases, sells, and distributes natural and supplemental gas within the limits of the City of Philadelphia (see Figure 2). The City's borders envelop a predominately urbanized area of 129 square miles in southeastern Pennsylvania along the Delaware River. Within these boundaries PGW maintains a distribution system with approximately 6,000 miles of gas mains and service pipes with customer billings of approximately 514,000 customers.

The City is the largest incorporated area in the Delaware Valley region. The 1990 U.S. census, as reported by the Delaware Valley Regional Planning Commission (DVRPC) in April, 1991, counted 1,585,577 inhabitants in the City, a decrease of 6.1% since 1980. The latest Census population estimate (for 1998) reflects a population of 1,436,000, a decrease of 9.4% since 1990 (see Figure 3). The average annual reduction in population in the city since 1996 is estimated at 1.4%. The region is comprised of Bucks, Chester, Delaware, Montgomery, and Philadelphia counties in Pennsylvania, and Burlington, Camden, Gloucester, and Mercer counties in New Jersey. Seven of these nine counties (all except Philadelphia and Delaware) are estimated to have increased their population in 1998 over their 1990 census figures.

Philadelphia's economic orientation has been shifting steadily towards service-related activities. Whereas Government and most private sectors are estimated to have declined in employment statistics, service sector jobs within the City are estimated to have increased to nearly 300,000 in 1997 (see Figure 4). This increase is on top of an increase of 8.5% from 1986 through 1992. The main service industries in the City of Philadelphia are law, health, hospitality and education. The relatively low costs of living and office space compared to cities of similar size, along with a prime location at the heart of the Washington-New York-Boston corridor, and the presence of major research universities helps assure Philadelphia a continuing capacity to attract and retain a dynamic private sector.

The City of Philadelphia has formulated a number of aggressive plans to counteract recent trends of jobs and residents transferring from the City to the Suburbs. Plans include continuing to reduce city resident taxes, reduce crime and focus on capital improvements. The City expects to spend \$800 million between 2000 and 2005 directed at infrastructure renewal to continue revitalization of the community. The revitalization of Philadelphia's central neighborhoods has included the construction of new office buildings, hotels, and the renovation of existing structures. Many of the City's older sections continue to be rejuvenated through the restoration of existing buildings for residential use.

The City has also focused on the tourism and hospitality industry. PGW has already secured the Convention Center as a heating and air-conditioning customer, and it has become one of PGW's largest customers. In addition, private business is investing in the development of up to 3,000 new hotel rooms by 2001, an increase of over 30% of current hotel space in the city.

While PGW will indisputably benefit from the growth in commercial market and office space in the City, the residential outlook is mixed. The return of urban professionals and so-called "empty nesters" to the City, attracted by a shorter commute and the advantages of urban life, will be somewhat counter-balanced by continuing out-migration by other City residents and the concentration of residential growth outside the City limits. Only slight declines have occurred in customer counts, since increases in commercial and industrial customers have partially offset residential losses. (See Table 1.)

Table 2 shows the historical pattern of PGW's sales. In fiscal year 1998, PGW sold 53.6 billion cubic feet (Bcf) to firm customers. Firm sales volumes have varied due to changes in the number of heating

degree days and the number of firm customers. Total PGW interruptible sales have varied up and down between 9.5 Bcf and 12.5 Bcf over recent years, with 1998 sales at 9.6 Bcf. Gas transportation, a new service provided to PGW's largest commercial and industrial customers whereby the customer arranges his own gas supply and PGW only delivers it, has grown from zero in 1990 to 8.3 Bcf in 1998. Current estimates for 2000 transportation services show a further increase to 15.2 Bcf due to the addition of a very large cogeneration customer.

An explanation of abbreviations used throughout this report for gas volume and energy units as well as for heating units is provided in the Appendix at the end of this report.

## SALES AND TRANSPORT FORECAST

### Gas Sales Volume

PGW's anticipated sales for fiscal 1999-2005 are shown in Table 3. This current budget estimate contains six months of actual known data (September 1998 through February 1999) and six months of best projections based upon currently available information. The 2000 Budget year and all five forecast years are based on the expectation of 4,600 degree days of cold weather.

The sales forecast excluding Load Balancing Service (LBS) sales is based on an analysis of historical usage patterns and utilizes a normal (average) weather pattern containing 4,600 degree days. Factors considered in the forecast include the historical growth or decline in number of customers, PGW marketing programs (e.g. oil heat conversions), changes in rates of consumption by customers in each rate classification, the existing and anticipated price advantage of natural gas over alternative fuels, the availability of natural gas, and the likelihood of PGW's participation in new construction and rehabilitation projects. The forecast for LBS sales is based upon the availability of gas for sale at a competitive price after the demand for gas by all other classes of customers has been satisfied.

Total firm sales are forecast to increase by 1.0 Bcf from fiscal years 2000 through 2005. Although the residential market, which is the largest, is expected to decrease slightly over the timeframe, increases in the commercial and industrial are projected to result in greater aggregate firm sales.

Interruptible sales are expected to increase to 12.0 Bcf in 2005 as shown on Table 3. This represents an increase of 38% over current 1999 budget estimates. Much of this increase is expected from PGW's Boiler and Power Services and Load Balancing Services.

PGW's sales forecasting assumptions result in some differences in comparison to past forecasting efforts. These differences are evident when looking at some of the individual sectors. Most notably, the 2000 budget and all forecast years show a sizable increase in industrial sales, which had been forecast to decrease in prior forecasts. The current forecast is designed around a revised marketing assumption which minimizes the shift of gas loads from industrial sales to transportation customers (which had been forecast in prior years). PGW's Marketing Department has noted eligible customers who could shift to transportation gas have been reluctant to make the change due to gas balancing requirements and gas pricing which has closely tracked alternative fuel prices (#2 and #6 fuel oil). In addition, uncertainty over retail competition in the gas market in Pennsylvania and specifically PGW's customers, has reduced erosion from industrial to transportation customers.

Another area of differences in the forecast versus prior years is evident in the residential sales. The 1999 budget forecast reflects sales considerably lower for residential sales than estimates developed in the 1998 forecast. These differences are in the order of nearly 2 Bcf. According to PGW staff, these differences and the resulting shift to a lower sales forecast value for the residential sector are based on

the application of actual metered customer data as an input into the development of customer use factors. The customer use factors are an important input into the development of a regression analysis used to characterize segment consumption. Prior years included data reflecting estimated readings used to develop use factors, however the saturation of automatic meter reading capabilities has improved the actual recording of customer use and resulted in lower use factors for customers. This reflects a significant and permanent difference in the residential consumption forecast for PGW.

### Transport Volume

Currently PGW has a small number of very large customers taking advantage of the company's gas transportation services. This translates to an estimated 15.2 Bcf of gas by year 2000 and there is no projected change in volume over the planning horizon. Any customer shift to transport gas would impact the sales forecast estimates. PGW continues to closely monitor the price differentials between gas and alternative fuels as a possible signal of customer movement to gas transportation.

### Other Sales

Another significant shift in marketing is PGW's decision to exit its "point-of-sale" marketing programs. The early results of these initiatives were marginal and a business decision was made to focus upon more profitable marketing efforts. For example, PGW will be advancing its Parts and Labor Plan activities to increase revenues through value-added services. In addition, PGW has targeted those Center City customers with accessibility to the city's steam loop. Efforts are in place to try to switch customers from steam to gas equipment while addressing customer concerns over initial equipment costs.

### Competition

PGW faces retail competition from a number of sources, all of which impact sales. PGW's market share of the residential heating market within its service territory is approximately 80 percent, with oil holding approximately 18 percent of the market and the remaining 2 percent utilizing other energy sources. PGW's potential for residential customer, end-use growth within its service territory is estimated as follows: 150,000 space heating customers; 50,000 water heating customers, and 400,000 clothes drying customers. Within the residential market share held by PGW end-use saturations are as follows:

Space heating:	90%
Water Heating:	80%
Cooking:	76%
Clothes Drying:	47%

It is estimated that PGW's market share of the light commercial market (businesses with less than 50 employees) is 46 percent.

### Customer Counts

Table 4 presents PGW's budgeted average number of customers for 2000 and a five-year customer forecast on the same average billings basis. Between 2000 and 2005, the total number of customers is forecast to decrease by approximately 945 customers or less than one percent. The number of residential customers are forecast to decrease by 3,400 customers. Increases in customer billings are expected for the other major customer categories. Commercial customers are expected to increase by

1,866 customers, or 8 percent. Minor increases also occur in the other five customer categories as shown on Table 4.

In general, it is our opinion that PGW's sales forecast is a reasonable projection of sales in light of existing economic conditions within its service territory. It is critical to note that the forecast is dependent on a number of factors. It is highly dependent on winter weather conditions which have not been as cold as normal in the last three years and have impacted sales. The forecast is also dependent on the assumption that the erosion of customers to gas transportation status will be negligible during the planning horizon and the assumption that no open access/customer choice will occur in PGW's service territory. Changes in gas retail competition in the state and/or continued changes in the price of oil may result in changes to customer behavior and impact forecast sales.

## FACILITIES

### PROCESSING FACILITIES

The principal PGW peaking or supplemental facilities include nine City Gate stations and two major gas production plants, Richmond and Passyunk. Located at the plants are two liquefied natural gas (LNG) facilities, a gas control center, a de-activated propane/air plant, and two gas holders (one of which has been removed from service).

a) **City Gate Stations**

Natural gas is received through nine city gate stations from two pipeline transmission companies - Texas Eastern Transmission Corporation (TETCO) and Transcontinental Gas Pipe Line Corporation (TRANSCO). The two pipelines also own facilities and land at the nine gate stations. PGW's facilities at each of the city gate stations perform two basic functions - to meter the flow of gas and to control the pressure delivered to PGW's distribution system.

b) **Gas Control Center**

The gas control dispatchers, located at the Richmond Plant, monitor and control gas flow and pressure from the nine city gate stations to the high pressure distribution system. The gas control dispatchers also provide direction to the production plant operators concerning startup, shutdown and gas flow output from the supplemental facilities. Operations are facilitated through the use of a computer system which includes a backup unit and an auxiliary power supply.

c) **Liquefied Natural Gas Facilities**

There are two LNG facilities - one at the Passyunk Plant and one at the Richmond Plant.

The smaller LNG storage and vaporization facility at the Passyunk Plant receives its liquefied gas supply from the larger Richmond Plant via cryogenic trailer trucks. The Passyunk LNG facility consists of one LNG storage tank of 3,066,000 gallons gross capacity (i.e., the equivalent of 253,300 Mcf (thousand cubic feet) of natural gas) and three LNG vaporizers, each having a capacity of 45,000 Mcf per day - 90,000 Mcf per day planned capacity and 45,000 Mcf per day reserve.

The Richmond LNG plant is one of the largest facilities in the U.S. for liquefaction in addition to storage and vaporization. During the non-heating season, PGW uses the Richmond LNG Plant to liquefy and store natural gas from the pipelines. The plant has the capacity to liquefy and store approximately 23,500 Mcf per day and the two storage tanks have a combined gross capacity of 48,970,000 gallons of LNG (4,045,800 Mcf). Regasification of the liquid is accomplished with six vaporizers having a total output of 450,000 Mcf per day with none in reserve.

d) **Propane/Air Facilities**

The Passyunk propane/air plant has the air compression and propane vaporization capacity to produce 60,000 Dth (Dekatherms) of propane/air mix per day (45,000 Dth per day planning basis) and has a liquid propane storage capacity of approximately 662,250 gallons. This facility has been idle since 1994 and its use is not anticipated in the current five-year gas supply forecast.

e) **Gas Holder Storage Facilities**

The Richmond plant has a low pressure gas holder. The Passyunk holder has been removed from service. The Richmond holder has an operating capacity of 1,000 Mcf. It was installed in the manufactured gas era and is in good working order. It is used to enhance operational flexibility at the LNG plant

## DISTRIBUTION FACILITIES

The principal gas distribution facilities consist of approximately 3,006 miles of main, 511,453 services, 205 regulator stations, 599,189 total meters (of which 520,811 are active), miscellaneous valves, instruments and other appurtenances. There are five different operating pressure systems, each system is connected to the other by control regulators. The high pressure systems operate at approximately 110, 60, and 35 psig; the intermediate pressure system operates at 5 psig; the low pressure system operates between 6 and 9 inches of water column (approximately 0.25 pounds per square inch). The majority of customers are served from the low pressure system.

Approximately 58 percent of the gas mains are cast iron pipe, 34 percent are steel pipe, 5 percent are ductile iron pipe and 3 percent are plastic pipe. Approximately 53 percent of the service lines are steel and 47 percent plastic.

## OTHER FACILITIES

PGW has its executive and operating offices located at 800 W. Montgomery Avenue, which is a 150,000 square foot office building constructed in 1988. The adjacent former general office building now houses distribution and customer service dispatch centers, a customer information center, operating stations, and warehousing, as well as management information systems, a meter shop, and a metal fabrication shop. Additional facilities include eight district offices and three operating stations for field service and distribution crews. There are also a warehousing facility and an automotive maintenance and repair facility. The automotive maintenance and repair facility is responsible for the upkeep of PGW's fleet of approximately 1,000 vehicles and related equipment. PGW also maintains minor automotive repair facilities at its operating stations.

## CONDITION OF FACILITIES

In April, 1999 Stone & Webster conducted site inspections of certain PGW facilities as deemed appropriate. During the inspections Stone & Webster emphasized three evaluation criteria:

- 1) Were facilities in place and fully operational in order to provide dependable service to PGW customers,
- 2) Were the facilities in good condition and operated by trained personnel, and
- 3) Were any conditions evident that might indicate that the facilities were not designed, constructed, operated or maintained in accordance with either current regulatory standards or generally accepted industry practices.

In the course of these inspections the following facilities were visited:

800 W. Montgomery

- General Offices

1800 N. 9th Street (former general office building)

- General Warehouse
- Distribution and Field Service Dispatch Centers
- Distribution and Field Service work stations
- Information Systems
- Customer Service call center

1849 North 9th Street

- Vehicle maintenance facilities
- Vehicle refueling station
- General offices

5138 Belfield (Distribution Satellite Operations Center)

- Distribution and Field Services Facilities

Tioga Satellite Service Center

- Distribution and Field Services Facilities
- LNG Facilities
- Propane/Air Facilities (idle)
- Gas Holder (idle)

Richmond Plant

- LNG Plant
- Gas Control Center
- Gas Holder

City Gate Stations

- Richmond (TRANSCO)

District Regulator

- Underground regulator pit – Mascher St. & Olney Avenue

Large Volume Meters

- First Union Center sports complex

On site observations of PGW's operating procedures were made at the following locations:

Chestnut Street from 6<sup>th</sup> Street to Broad Street

- Replacement of a 6" O.D. (outside diameter) cast iron main with a 6" O.D. polyethylene main.

6<sup>th</sup> Street south of Race Street

- Installation of a 6" O.D. polyethylene main and 2" O.D. polyethylene service for television station and studios of WHY Y.

Martins Mill Road and Montour Street

- Excavation to determine the location of a short circuit in the cathodic protection system for a 12" O.D. steel main.

1700 block on Cavuga Street

- 12" O.D. cast iron joint encapsulation to stop leaking gas.

155 E. Chelton Avenue

- 16" O.D. cast iron joint leak repair.

Parrish Street from 10<sup>th</sup> Street to 11<sup>th</sup> Street

- Installation of new 6" O.D. polyethylene main to replace an existing cast iron main due to housing renovation.

Walnut Lane and McCallum Street

- Prudent main and service replacement project. Existing 3" O.D. cast iron main replaced by 3" O.D. polyethylene main and 1¼" and 2" O.D. services replaced by like size polyethylene.

5400 Germantown Avenue

- Repair of leaking 16" O.D. cast iron bell joint.

4199 Stout Road south of City Line Avenue

- Tie-in and purging of a 3" O.D. polyethylene main and 2" O.D. polyethylene service line extension.

1500 Belmont Avenue

- Repair of leaking 12" O.D. cast iron bell joint.

On the above job sites visited, all observed facilities, vehicles, equipment and warehouse stock were maintained in good working condition and operated and maintained in accordance with generally accepted gas industry practices. Employees appeared to be knowledgeable of their job requirements and well trained.

In addition to the site inspections, Stone & Webster interviewed the Interim President and Chief Executive Officer, the Executive Vice President and Chief Operating Officer, the Senior Vice President and General Counsel, the Vice Presidents of Marketing, Human Resources, Operations, Gas Management, Information Technology, and Public Policy; and the directors or managers of the Gas Processing, Transportation, Collection, Customer Service, Application Services, Field Services, Engineering and Building Services, Distribution, Technical Administration, Budget and Financial Forecasting, Residential Sales, Commercial and Industrial Sales, and Business and Economic Development Departments. On this or on previous inspections we have reviewed construction, maintenance and operating practices, system design criteria, inventory levels, material and construction standards, safety, regulatory compliance and maps and records.

PGW's highest operating priority is response to emergencies and the maintenance of a safe gas distribution system. PGW maintains maps and other records of the distribution system in good order, and has comprehensive written construction, operating and maintenance standards and procedures. Its personnel are well trained in the operation and maintenance of the gas distribution system. PGW is actively involved in entering their records (Corrosion, Service and Leak Records) into computer databases, thus facilitating and improving the accuracy of accessing information. Reasonable security measures are provided at the major facilities visited such as the two production facilities, the city gate stations and the headquarters building.

Based on the inspections and interviews conducted, it is our opinion that PGW operates and maintains its system prudently and in accordance with current regulatory standards and generally accepted industry practices.

## GAS MANAGEMENT

On April 15, 1999 the PGW Search Committee met and decided to request proposals for supply management services. Earlier in 1999 a request for qualifications had generated interest from a number of parties. The RFP seeks performance guarantees and/or savings guarantees.

### SUPPLY SERVICES

PGW is directly connected with two major interstate pipeline companies; Texas Eastern Transmission Corporation (TETCO) and Transcontinental Gas Pipe Line Corporation (TRANSCO), and has pipeline contracts with both. These two pipeline companies are expected to deliver virtually all of PGW's supplies over the forecast period. The pipeline contracts provide for the transportation of gas purchased by PGW. In order to utilize these contracts in an economic manner, PGW has contracted for a variety of storage services which PGW uses to store gas during low-demand summer periods. In addition PGW owns and operates two LNG (liquified natural gas) plants which also serve a storage role. These storage gas options permit the matching of supplies to winter-period peak demands.

As shown in Table 5, PGW has two existing transportation contracts on the TRANSCO system and another two transportation contracts on the TETCO system for direct service. These firm transportation agreements are used to move gas to the Philadelphia city gates either directly from producers or from storage facilities. The FT, FT-1 and CDS contracts are for 365 days per year, whereas the smaller PSFT contract is a winter peaking service available for 90 days per year. Additional transportation contracts are in place to move storage gas; these contracts work in conjunction with storage services as described below.

On the TETCO system, PGW employs four storage contracts (SS-1, CNG-GSS-TE, ANR and Equitrans). The SS-1 storage service is directly connected to TETCO. ANR, Equitrans and CNG-GSS-TE are off-system storage facilities. PGW has adequate transportation contracts in place to deliver gas withdrawn from these facilities to PGW. PGW's total daily deliverability from these four storage contracts amounts to 103,856 DTh.

On the TRANSCO system, PGW has four storage contracts (GSS, S-2, WSS, and ESS), with a total daily deliverability from storage of 114,452 DTh. Detailed information for PGW contracts is provided as Table 5.1.

PGW also owns supplemental LNG facilities at Richmond and Passyunk to meet contingent winter demand in excess of pipeline and storage supplies. LNG is produced from pipeline gas during the summer and stored in PGW's two large facilities and one satellite tank within the City. PGW has evaluated upgrades to its LNG capabilities. One upgrade is to add an additional liquefaction unit which would enable it to liquefy gas during the winter. Another is to add an LNG barge capability to the Richmond facility. Both upgrades could provide PGW with significant additional commercial opportunities, as well as potentially reducing the need for off-system storage and peaking services.

A Propane/air (LPG) plant also exists at Passyunk, but has been mothballed. Its usage is not contemplated over the forecast period or beyond.

Figure 5A pictorially depicts the peak day gas supply delivery sources available to PGW.

## SUPPLY/DEMAND BALANCE

Table 6 presents PGW's forecast of supply and demand under normal weather conditions (4,600 HDD (Heating Degree Days) ) for fiscal years 2000-2005. Over this fiscal period it is expected that daily pipeline deliveries (including storage deliveries) will account for about 95% of PGW's requirements on a current receipt basis, with the balance supplied from inventories of LNG.

Table 7 restates PGW's forecast of supply and demand under design weather (5,280 degree days) conditions for fiscal years 2000-2005. Daily pipeline deliveries through Texas Eastern and Transco from gas producers/marketers account for approximately 78 percent of total requirements; and storage gas accounts for approximately 16 to 17 percent of demand throughout the forecast period. Remaining demand is met with LNG.

Figure 5B pictorially depicts normal and design year annual gas requirements for 1999-00 by delivery sources to PGW.

As shown in Table 5, the pipeline transportation contracts provide PGW with up to 109.7 million Dth annually. To the extent practicable and most prudent, PGW intends to maintain flexibility on both pipelines by continuing to contract gas supplies from both marketers and producers.

Table 8 restates PGW's forecast of supply and demand under peak day and peak hour conditions. Sendout requirements are based upon the assumptions of a peak winter week day with an average daily temperature of zero degrees Fahrenheit (F) (equivalent to 65 Heating Degree Days) and an hourly peak temperature of minus five degrees Fahrenheit. Under these conditions interruptible sales are planned to be suspended in accordance with provisions in the contracts for such rates. Under peak day conditions, projected firm demand could be met throughout the forecast period by pipeline deliveries and the use of PGW's LNG capacity. Figures 6 and 7 compare peak day and peak hour demand to PGW's maximum availability (sendout capability) for each of the forecast years. Figure 7 shows a small sendout safety factor exists for peak hour demand, even in fiscal year 2005.

The maximum daily sendout during recent winters has been characterized as follows:

<u>Winter</u>	<u>Average Temp. deg. F.</u>	<u>Total Sendout MMCF</u>	<u>Pipeline Supply MMCF</u>	<u>LNG MMCF</u>	<u>Date</u>
98-99	23	541.9	448.7	93.2	5 Jan'99
97-98	28	464.5	407.5	57.0	11 Mar'98
96-97	12	661.7	434.2	227.5	18 Jan'97

The system Historical Peak Day occurred on 19 January 1994 with a sendout of 752.7 MMCF at an average temperature of 2 degrees F.

In addition to having adequate provisions for the supply and delivery of gas to its customers, PGW has also maintained aggressive cost management of its supply portfolio. Figure 5C displays an objective gas cost comparison of major Pennsylvania utilities. The analysis displayed removes gross receipts tax from the investor owned utilities and removes the social costs assigned to PGW's gross fuel cost in order to provide an objective comparison. PGW is among the lowest cost gas providers in the state.

PGW management has also designed a gas supply financial hedging program which is currently before the Philadelphia Gas Commission for review. A cost-benefit study has been conducted with the current fiscal

year as a basis which has demonstrated that further savings in gas costs may be achieved through the use of an appropriate hedging program.

In summary, based upon our review of PGW's gas supply acquisition policies, proposed budget, and the analyses described herein, it is our opinion that transportation, storage and supplies of natural gas under contract, along with LNG normally available to PGW, are adequate to meet PGW's forecast of peak hour, peak day and peak year demand through the 2005 fiscal year in a prudent and commercially competitive manner.

## CAPITAL IMPROVEMENT PROGRAM

### BUDGET PROCESS

PGW's capital budget and five-year forecast are the result of a formal process starting when a list of budgeting and operating assumptions is developed to provide overall direction and is circulated to all departments. Individual departments use these assumptions as well as certain specified economic parameters to prepare the capital requirement estimates that form the basis for departmental budgets. These budget requirements and forecasts are based on meeting PGW's design hour and design day forecasts that are prepared by the Gas Management Department. The major operating departments determine their capital requirements by identifying the capital improvements necessary to safely and reliably meet the system-wide conditions calculated for a design day of zero degrees Fahrenheit average temperature, a minus five degrees Fahrenheit design hour, and a normal annual weather pattern producing 4,600 annual degree days. Additional facilities for serving new customers and systems (primarily information technology) to improve customer service are also proposed as part of the budgeting process.

All capital projects and requests are assigned a priority: the highest priorities (priorities 1 and 2) are reserved for expenditures required to maintain the integrity (safety and reliability, respectively) of PGW's system. The next priority (priority 3) signifies expenditures for enforced facility relocations which are based on city, state, or federal mandated projects. The fourth priority relates to expenditures for revenue production from load growth, and the lowest priority category (priority 5) covers expenditures for improved operating efficiencies and/or discretionary items.

PGW's capital budget and forecasts incorporate several changes from earlier forecast periods which reflect improvements to internal policies, procedures and the level of detail information. The most significant changes include:

- Approved capital budget work orders have a defined life span and adjustments must be approved by the Chief Financial Officer.
- Multi-year capital projects are submitted for initial project approval and subsequently submitted for the budget years when funds will be required.
- Approved projects not adequately progressing are reviewed as to whether they are still necessary.
- Capital project priorities and needs are presented within a matrix format which highlights the relationship between priorities and project needs (e.g. Table 10 for budget year 2000).

### CAPITAL BUDGET AND FORECAST

Proposed capital expenditures for both the fiscal 2000 capital budget and the five-year capital forecast (fiscal 2001 through fiscal 2005) total \$317.2 million on a net basis (after reimbursements, contributions, and salvage). The Capital Improvement Programs for fiscal years 2000 - 2005 is summarized in Table 9 and shown graphically in Figures 8, 9 and 10. The projected expenditures against these authorizations are summarized in Exhibit IV.

The fiscal 2000 capital budget totals \$60.9 million on a gross basis (\$59.6 million net), an increase of \$11.1 million (22.2%) from the previous year 1999 Capital Budget of \$49.8 million. The 2000 budget is comprised of \$45.6 million (75.0%) of replacements and \$15.2 million (25.0%) of additions. As shown on Table 9 and pictured in Figure 10, the largest portion of the 2000 budget is allocated as usual to the Distribution Department, which will receive \$26.2 million, 43.1% of the budget. The second largest portion (\$14.5 million or 23.9% of the budget) is represented by the Gas Processing Department which is primarily for Phase I of the Richmond LNG Plant Liquefaction Plant Replacement/Enhancement. Unlike the Distribution budget which recurs in similar amounts annually, the Gas Processing budget is more of a one-time expenditure to replace and upgrade the near 30-year old liquefaction equipment and does not recur throughout the forecast. Phase 2 is forecast to occur in 2003 and 2004.

Table 10 lists twenty four of the largest items in the fiscal 2000 capital budget. Together these twenty four major projects account for \$48.2 million or 79.1% of the total gross budget. These same twenty four project categories (many of which are annually recurring items) also accounted for \$43.2 million of last year's budget. This indicates that both the largest projects and the majority of PGW's 2000 budget are accounted for by annually recurring activities.

This year's five-year (2001-2005) capital forecast totals \$264.9 million gross, an increase of \$14.4 million (5.8%) over last year's five-year forecast of \$250.5 million. This year's five-year forecast is comprised of \$216.0 million of replacements (81.7%) and \$48.9 million of additions (18.3%). The Distribution Department accounts for \$160.8 million or 60.7% of this year's five-year capital forecast.

## GAS PROCESSING

Proposed investments for additions and replacements to PGW's gas processing plant total \$14.5 million for the 2000 budget period. The 2000 Gas Processing Budget is \$12.1 million more than the budget filed in 1999.

The expenditure breakdown in the 2000 gas processing budget includes \$41,000 for Natural Gas Measurement and Control Facilities, \$175,000 for miscellaneous Supplemental Gas Facilities, and \$138,000 for Building and Grounds. A large capital expenditure of \$14,185,000 has been included in this year's budget for Phase I of a Replacement/Enhancement of the Richmond LNG Plant liquefaction plant.

## DISTRIBUTION

The proposed expenditures for capital improvements to PGW's distribution system in the fiscal 2000 budget period total \$26.2 million before credits of \$0.8 million for salvage and reimbursement to yield a net total of \$25.4 million. Distribution replacements amounting to \$20.7 million and additions of \$5.5 million account for 79.0 percent and 21.0 percent respectively of the total gross capital expenditures.

The largest capital expenditures for the distribution system are scheduled for the replacement of small diameter (1.25 inches or less) services which account for \$9.6 million of the FY 2000 proposed capital budget. These expenditures are scheduled for the renewal of services based on customer complaints, leak surveys, and city and state work.

Prudent main replacements for intermediate and low pressure mains of small diameter (8 inches or less) amount to \$3.2 million of the FY 2000 budget. In addition to the prudent replacements, replacement of

these same diameter and pressure level mains due to anticipated city and state construction activities involve \$3.7 million of proposed expenditures for the FY 2000 budget.

## FIELD SERVICE

PGW's planned field service related investments total \$7.1 million net in the FY 2000 budget after consideration of \$0.1 million for contributions and salvage. The bulk of the field service budget represents meter purchases and a continuation of PGW's aggressive program for installation of electronic transmitting devices on customer meters. These devices are used to read gas usage, following measurement by the existing gas meter, and transmit it to PGW for billing purposes without the need to send meter readers to a customer's premise. This multi-year installation program is nearing completion with nearly 500,000 of the devices installed. The remainder of PGW's customers - mostly commercial - are forecasted to be converted over to this automated meter reading system commencing in 2000. Benefits to date continue to include a marked decrease in the number of manual meter readings required and a consequent reduction in personnel in this area.

## TRANSPORTATION

Capital expenditures budgeted for transportation by PGW total \$4.1 million net including \$0.3 million salvage during the 2000 budget year. Vehicle replacements/additions will account for 78.6 percent of the gross total with the remainder budgeted for replacement of mobile equipment as well as replacement and addition of shop equipment and purchase of a maintenance tracking system.

## OTHER DEPARTMENTS

Budgets for PGW's departments other than the four departments specifically mentioned above have historically been grouped together under the miscellaneous category "Other Departments" since they are typically too small to warrant a separate category. For the 2000 budget however a number of Information Technology (IT) items which fall into this category have been budgeted simultaneously. These systems, related hardware and facility modifications total \$5.6 million (66.1%) of the total \$8.5 million Other budget. They consist of a number of smaller items ranging from \$22,000 to \$600,000 and a material management system at \$1,269,000. The balance, \$2.9 million (33.9%), is constituted by miscellaneous items in the Other departments such as building modifications and repairs, office furniture and file cabinets and a variety of equipment. In our opinion the IT expenditures for the year 2000 budget are appropriate.

PGW has five major mainframe computer systems:

- Customer Service
- Accounting and Finance
- Gas Management
- Field Services
- Human Resources

These systems are being revamped or replaced with systems having capabilities and flexibilities to expand in areas such as additional customers, and more immediate productivity and cost information. The new Accounting and Finance system has been implemented. An aggressive effort is expected to lead to implementation of the remaining systems during the 1999 calendar year.

PGW embarked on a Year 2000 compliance program in the 4<sup>th</sup> quarter of 1997. This is a formal program with a formal project structure. This approach is expected to provide strategic coverage needed in critical areas of PGW including all information technology assets, embedded systems, and Business System Applications on the mainframe computer.

## CONCLUSIONS

Based on discussions with PGW's management and our review and evaluation of PGW's proposed fiscal 2000 capital budget and forecast capital expenditures for fiscal 2001 through 2005, it is our opinion that the budget is consistent with PGW's corporate objectives and is appropriate for maintaining a safe natural gas distribution system for Philadelphia. PGW's objectives for the proposed capital budget are to provide and maintain the necessary facilities and records to ensure PGW has the capability to deliver safe, reliable service that is cost effective for existing and future customers.

## RATES AND REGULATION

### REGULATORY ENVIRONMENT

The Philadelphia Home Rule Charter contains provisions for the establishment of the Philadelphia Gas Commission (Commission) to regulate the activities of PGW. Under the Management Agreement the Commission's powers and duties include: establishing PGW's rates and related charges, approval of certain management personnel selections by PFMC, approval of operating budgets, review of the capital budget and gas supply contracts prior to approval by City Council, review of PGW's books, records and accounts, setting standards for the procurement and disposal of material, supplies and services, and approval of any changes in gas quality standards. The Commission's five members include: the City Controller, two Mayoral appointees, and two City Council appointees, or their respective designees. The Commissioners provide such service to the City on a part-time, or as-needed basis. However, a permanent staff provides day-to-day administrative and oversight functions.

Request for rate and tariff changes are initiated by PGW based upon anticipated revenues, expenses, capital expenditures and debt service coverage. The Commission holds public hearings on proposed changes to base rates at which PGW and other interested parties are permitted to present evidence supporting their positions regarding the proposed rate change. Community Legal Services, Inc. has been appointed to be the Public Advocate in rate hearings to represent residential customers. The Commission issues orders based on its findings from the evidence and information available. Subsequent to the issuance of orders, an appeals process is available that includes a petition for reconsideration and rights of appeal through the courts. The Commission, through its regulatory review and orders, seeks to obtain a balance between the interests of PGW, the City and its customers.

#### Base Tariff Proceedings

PGW's last Base Rate Case was concluded in 1992. However, PGW initiated a Tariff Revision Proceeding in 1995 which provided language amending the PGW Gas Service Tariff in order to improve customer service and accountability while clarifying the obligations of customers, to facilitate more effective management of accounts receivable and collections, and to provide consistency and conformity within the Tariff. Significant improvements were made within the Tariff which were authorized in 1996 and 1997 and made effective in 1996 and 1998. In general, these improvements reduce the potential for customer fraud; strengthen collection procedures and move customer service charges and fees to more accurately reflect costs incurred as well as widespread industry practices.

In the past PGW has experienced problems with the customer application for service process which have led to delinquent accounts due to fraud. This process has been revised so as to significantly reduce the potential for deception. Additional quantitative changes have been made in recent years which include the following. Returned check charges were increased from \$5.00 to a progressive scale of from \$8.00 to \$34.00 for repeat returns so as to reflect industry standards. Customer service call charges were increased from \$30.00/hour to a schedule of charges which reflect actual costs. And, field collection charges were instituted. Tables 11, 12, and 13 display PGW's previous and current industry benchmark positions. Additionally, service turn-on charges were established and finance charges for past due balances in excess of \$300.00 were increased from a 15% to an 18% annual rate.

On April 27, 1999, the Philadelphia Gas Works received interim approval (final approval must be obtained by May 2000) from the Philadelphia Gas Commission to adjust the two components of its general gas rate to 494,000 residential customers. The charge on the volume of gas used has been reduced while the

monthly fixed customer charge has been increased. The \$3.94 per Mcf of natural gas that is charged to residential customers has been reduced by \$.51 to \$3.43 per Mcf. The \$4.00 per month fixed charge has been increased by \$4.00. During a normal winter, when heating bills are their highest, this change will result in lower gas costs. In the summer months, when heating costs are at their lowest, the customer would have a higher bill due to the \$4.00 increase in the gas charge. Over an entire year, in a normal winter, the customer will pay the same under the new rate structure as under the old. However, in a colder than normal winter, unit gas costs would be lowered because customers would be paying less on the amount of gas used to heat the home.

The change in the two rate components will increase cash flow to PGW during the warm months, and will reduce the seasonal increase in gas bills during the winter months. This is expected to have a positive effect on previously experienced wintertime slow payments and delinquencies. The net result of this change will be an increase in PGW revenue of approximately \$4 million in the first Fiscal Year 1998-1999, since this fiscal year has the benefit of a summer period under the revised rate.

The Gas Works' monthly charge of \$4.00 had been the lowest of area gas utilities, while \$8.00 per month is approximately average for the cost of surrounding utilities.

PGW management does not foresee the need for a base rate case prior to fiscal year 2002, at which time a \$20 million increase in revenue (or equivalent decrease in expenses, or a combination of both) is assumed in the current financial forecast.

#### Gas Cost Recovery Proceedings

In addition to base rates, PGW has a gas cost recovery ("GCR") adjustment designed to permit PGW to adjust its charge on firm, fixed-rate rate schedules on a quarterly basis in order to recover its actual cost of purchased gas. The GCR mechanism also recovers costs which are in support of PGW's low-income weatherization and payment programs. The projected cost of purchased gas is calculated and recovered from customers on a levelized basis in part from a component included in the base rates and in part from the GCR adjustment. GCR collections, which may be positive or negative, together with the cost of gas included in base rates, are matched against actual costs for the year. Any differences are then charged or credited to applicable expenses in the next annual forecast period.

The Commission performs an annual review of the GCR procedure. These reviews, which may be technically comprehensive, can include an investigation into fuel planning and gas purchasing practices of PGW. The Commission has concluded in the past that PGW's gas procurement has fulfilled applicable regulatory requirements by utilizing least-cost gas supplies while maintaining overall system reliability.

PGW management designed and proposed in 1997 a Purchased Gas Adjustment (PGA) to the GCR. The proposed PGA would have adjusted the GCR gas cost component on a monthly basis. This would have allowed more accurate market pricing signals for customers and would have significantly reduced the annual gas cost over/under collections which have varied between ten and twenty million dollars in recent years. This proposal was rejected by the Commission.

#### Regulatory Jurisdiction

Under current regulations all rate regulation authority is held by the City of Philadelphia which has delegated this authority to the Philadelphia Gas Commission. This report assumes rate regulation will continue to be administered as provided in the ordinances.

### State Legislative Issues

House Bill 1068 and Senate Bill 943 which were introduced in the Pennsylvania Legislature during its previous session, did not apply to municipally owned gas distribution utilities. The proposed Bills intended that investor-owned gas distribution utilities in Pennsylvania fully open their systems to access by third-party gas merchants and that such utilities no longer participate (or possibly reduce their participation) in the gas merchant function. Considerable activity and attention surrounded these bills and PGW actively participated in the proceedings. However, a consensus was not constructed among the many interested parties and the bills expired with the legislative session.

A modified version of these bills has again been introduced during the current legislative session: House Bill 937 and Senate Bill 601. These two bills are substantially the same. As currently drafted, they do not apply to PGW if PGW operates exclusively within the City boundaries. However, certain members of the legislature have suggested that they will propose amendments which could affect municipal utilities. The salient features of the bills are:

- Permit gas utilities to propose to increase the frequency of the adjustment of their gas costs in rates from the current frequency of annually to as often as monthly.
- Mandate the unbundling of gas supply services and the implementation of "open access"/ "customer choice" on gas distribution systems.
- Mandate PUC licensure/regulation of natural gas suppliers.
- Repeal of the Pennsylvania gross receipts tax on natural gas utilities (in SB601).

Enactment of legislation in the form described above which applies to municipal gas utilities such as PGW could affect PGW's revenues and expenses. Enactment of legislation which would cause municipal gas utilities to become subject to PUC jurisdiction could affect PGW's operations, revenues and expenses. At the date of this report no specific amendments which would apply to PGW have been proposed in the State legislature. Accordingly, these forecasts are based on legislation currently in effect.

### **ENERGY ASSISTANCE PROGRAMS**

High accounts receivable balances and a larger than normal number of delinquent accounts have occurred at PGW for a number of years. In response PGW has taken a pro-active position in assisting customers in meeting energy costs. PGW works closely with community and legislative groups at the city, state and federal levels to increase funding for energy assistance programs.

#### LIHEAP Program

The Federally-funded Low Income Home Energy Assistance Program (LIHEAP) provides payments to households in order to ensure continued utility service. Philadelphia's residential gas consumers make application through PGW's eight neighborhood offices, Department of Public Welfare or at one of many community sites with the funds obtained going directly to PGW for crediting to the customer's account. LIHEAP is PGW's single most important source of low income assistance funding.

Table 14 details PGW's LIHEAP participation in recent years and provides a forecast for fiscal year 1999. In recent years, PGW has increased its share of LIHEAP funds allocated to the Commonwealth of Pennsylvania from approximately 15 to 20 percent through a vigorous educational and outreach program among its low income residential population.

In 1996 the Commonwealth of Pennsylvania changed the customer eligibility criteria for LIHEAP participation from 150% of the federal poverty level to 110% of the federal poverty level. Consequently, the number of PGW customers which are eligible for LIHEAP has been reduced. Additionally, the Commonwealth of Pennsylvania has not extended the eligibility period in FY'99 for applications for one form of LIHEAP funds, the Crisis Grants. Consequently, PGW's FY'99 forecast projects an approximately \$2,000,000 reduction in Crisis funding.

#### Vendor Payment Program

PGW continues to support a Vendor Payment Program for a group of customers known as Scattered Site Tenants of the Philadelphia Housing Authority (PHA). These customers occupy dwellings, usually single family homes, owned by the PHA and whose rental is subsidized by the Federal government. Under agreement with the PHA and the Scattered Site Tenants, the Federal government's Department of Housing and Urban Development provides a utility allowance to PHA, on behalf of the tenant, which is then assigned to PGW.

#### Utility Emergency Services Fund

PGW also continues to participate in the Utility Emergency Services Fund (UESF) which is a private fund set up with the assistance of the City of Philadelphia Water Department, PECO Energy and Philadelphia Gas Works. Under this program, customers at or below 150 percent of the poverty level may make application for an energy assistance grant (LIHEAP) which together with their own payment, a grant from UESF, and a matching contribution from the utility involved, will enable the customers to zero-out any arrearages they may have. The maximum allowance that a customer may receive is \$500; \$250 from UESF and a matching grant of \$250 from the utility.

#### Dollar Plus Program

PGW also continues to support a program called "Dollar Plus" wherein PGW's customers were asked to add \$1.00 or more to their gas bill payments as a donation to the Utility Emergency Services Fund.

#### Payment Plans

PGW maintains a number of residential customer payment plans which are tailored to the customer's ability to pay in order to allow the customer the opportunity to pay down past arrearages and budget future usage and payments.

#### Customer Responsibility Program

In 1994 the Philadelphia Gas Commission approved a new low income customer assistance program which was termed the "Customer Responsibility Program" (CRP). This is a low income payment plan that is designed to increase cash flow to PGW and decrease accounts receivable, the related appropriation for uncollectible reserve and the accumulated provision for uncollectible accounts. Existing EAP participants were automatically transferred to the CRP. The CRP is open to any customer who is at or below 150% of the Federal poverty level. Participants are asked to pay the greater of \$30 or 7.35% of their income towards their gas bills, and are required to apply for the LIHEAP Grant program and assign that grant to PGW if eligible. The LIHEAP Cash Grants offset the customer's Earned Discount, and the LIHEAP Crisis Grants offset the customer's pre-program debt. For CRP participants who have excess consumption (defined as consumption in excess of 90% of average consumption for their type of household) the payment cap is increased to 12% of the customer's income. New customers are asked to pay 5% of their arrearage as a down payment, although exceptions are provided if warranted. CRP customers are also required to accept conservation measures if they are offered to them. CRP customers are required to recertify for the program each year and are considered in default when they are two full payments past due. A formula is developed to forgive past arrearages after successful completion of five years on the program. Provisions are made in the regulations to allow exceptions to rules if customers show that they are making a good-faith effort to

meet program responsibilities. Approximately 45,500 customers, or about 9 percent of PGW's total residential customer base are enrolled in the CRP. This level of participation is approximately a 25% reduction from recent years, and is primarily due to PGW's improved eligibility verification and default processing initiatives.

An evaluation of the Customer Responsibility Program was completed in late 1997 by an outside firm. The results of that evaluation were mixed and inconclusive, but did outline adjustments for various areas of the program which should provide for improved customer performance and program cost effectiveness. Many of those recommendations have since been implemented. In general, it is believed that meaningful improvements in the financial performance of the CRP can be obtained through adjustments in PGW's internal procedures and a redefinition of customer eligibility requirements.

Improvements to date include:

- Establishment of closer coordination with state welfare agencies to verify eligibility,
- Improved intake process which now incorporates one-on-one program and energy conservation education,
- Automated collection default notification and processing, and
- Improvements in excess usage charges and LIHEAP makeup charges processing and collection.

Additional improvements are anticipated with the completion of the upgrading of PGW's Customer Information System which is currently in progress. However, significant progress has already been achieved as is evidenced by the improvement in the participant active/default ratio which has grown from 60%/40% to 70%/30%.

The CRP revenue shortfall spread across other customers in fiscal year 97-98 was \$11.9 million, which is a 33% reduction over the previous year. The gas cost rate for fiscal year 98-99 has been approved by the Commission at a level sufficient to provide for this year's revenue shortfall which is expected to be approximately \$9.5 million. The reduction in revenue shortfall is primarily attributed to reduced participation level and warmer than normal weather.

#### Conservation Works Program

PGW has also been active in promoting the Conservation Works Program (CWP) which was the weatherization energy conservation segment of CRP. This program provides energy conservation education and customer workshops and selected weatherization measures for eligible CRP customers, both in single and multi-family homes.

An evaluation of the Conservation Works Program was completed in 1996 in which a number of areas for improvement were identified. The overall cost effectiveness of the program during the previous five years was indicated as marginal. A significant deficiency noted was excessive overhead cost. This deficiency has been corrected by permitting multiple program administrators into the program through a competitive bid process. Currently, the program is operating with about one-half of the level of administrative cost as was experienced prior to the evaluation. Further improvements in the program are underway as well as further evaluation efforts. Current improvement activities are focused on stressing the most cost effective conservation measures, which have been identified as education, air sealing, and set-back thermostats. The program was reevaluated in 1997 and found to be solidly cost-effective. Currently, about 4,000 PGW customers are receiving conservation related installations each year, which is approximately a 30% increase over the previous year's activities. The current level of annual CWP funding is \$2.2 million, which is funded through the GCR.

### Senior Citizen Discount Program

PGW offers a senior citizen discount program to residential customers age 65 or older. The discount is approximately 20 percent of the total gas bill. Approximately 92,000 PGW customers are taking advantage of this program.

### Educational Programs

PGW also has many programs which it utilizes to inform the community about energy assistance programs that are available to them. PGW works with the Emergency Fuel Group, which is a coalition of approximately 300 community organizations around the City and the region, to get word out about energy assistance programs. Its other activities include monthly consumer round-tables, speakers bureaus in different Philadelphia communities and individual telephone calls. PGW has an extensive telephone and field visit outreach program which is conducted in both English and Spanish.

Low income energy assistance and uncollectibles are a significant issue at PGW. Management of this issue is a top priority of both PGW management and the Commission. Meaningful progress has been made in this area in recent years and further progress is anticipated.

## **RATE SCHEDULES AND DEVELOPMENTS**

PGW offers a range of rate schedules which are offered on a non-discriminatory basis. Rate offerings are based on suitable and reasonable classifications which appear to meet the needs of customers and are competitive with alternative energy sources.

PGW's tariff offers both firm and interruptible sales and transportation services. Firm sales service provides gas under rate schedules for which PGW does not anticipate any interruptions. Interruptible sales service is offered to large volume customers under contracts that permit service interruptions, usually on short notice during peak load conditions or when specified low temperatures are reached. During fiscal year 1998, 84.0 percent of PGW's gas sales volumes were provided as firm service to residential, commercial and industrial customers, including municipal and housing authority customers. Interruptible sales accounted for 16.0 percent of total sales.

### Firm Sales Tariffs

Most firm sales customers are served under the General Service (GS) rate which has a flat rate for all consumption and a separate monthly charge for each customer group. Municipal and Philadelphia Housing Authority sales are served under separate firm sales rate schedules (MS and PHA) and represented 4.0 percent of PGW's total sales for the fiscal year 1998.

### Interruptible Sales Tariffs

Interruptible sales customers are served under various rate schedules including: Boiler and Power Plant Service - Rate BPS ("BPS"), Load Balancing Services (small, large and extra-large) (LBS-S, LBS-L, LBS-XL), and Cogeneration Service ("CG"). BPS is a flex rate which is set monthly in relationship to the posted price of No. 2 (home-heating) fuel oil. Customers on this rate are generally only interrupted when temperatures reach 18 degrees Fahrenheit. The LBS series of rate schedules are also flex rates which are set monthly in reference to the posted price of No. 6 (industrial) fuel oil. LBS customers have the lowest priority of service. In recent years PGW has made significant progress in developing the sophistication of its alternative fuel based, flex-rate monthly price offering procedures such that their procedures are considered to be above average for the industry. This progress has facilitated the retention of the interruptible sales market and has strengthened associated margins. CG service gas is priced at a rate which

is a fixed margin above PGW's average cost of gas and which may be a negotiated margin for very large customers that will utilize more than one million Mcf of gas per year.

#### Air Conditioning Provision

PGW also has an Air-Conditioning special provision included within rate schedules GS, MS, PHA, and BPS which provides for gas service to separately metered gas powered cooling equipment at a discount throughout the billing months of May through September. This provision, which is applicable to equipment installed after 1 September 1990 with a minimum cooling capacity of 15 R-tons, provides a benefit to PGW by increasing the system load factor, thereby lowering overall costs to all firm sales customers.

#### Economic Development Discount

PGW continues to offer an Economic Development Discount of up to 15% for qualifying rate BPS customers for up to three years. It is available to new or expanding large commercial or industrial customers who, through significant investments in gas burning equipment, can increase their gas consumption by more than 1,500 Mcf per month.

#### Natural Gas Vehicle Tariffs

An additional set of sales rate schedules offered by PGW are for Natural Gas Vehicle ("NGV") service. PGW offers uncompressed gas for firm service via a multi-part demand-commodity rate and interruptible service via a rate which is adjusted monthly in relation to the published "PAD 1 Report" price for regular unleaded gasoline. The NGV market is relatively new to PGW. PGW has added a significant number of NGV vehicles to its own fleet and has developed two new NGV refueling stations in the City. The market potential for NGVs in the greater Philadelphia area could be significant and PGW's ownership by the City may facilitate PGW's efforts in pursuit of that market. However, the recent period of low oil prices has reduced market interest. An eventual return to normalcy for oil prices is also expected to reverse that trend.

#### Gas Transportation Tariff

PGW also offers a Gas Transportation Service ("GTS") rate, both as firm and interruptible service. It provides for transportation of customer-owned gas under flexible rates with a cap equal to the margin of the customer's equivalent sales rate. The GTS rate was designed to provide a revenue-neutral approach for PGW for existing interruptible customers that are seeking either interruptible or firm transportation services for their gas supplies. Standby services and balancing provisions are also provided within the rate schedules.

## FINANCIAL CONSIDERATIONS

### REVENUE BOND FINANCING

#### Rate Covenants

All outstanding revenue bonds issued prior to 1998 were issued under the 1975 General Ordinance. The rate covenant in the 1975 General Ordinance requires that the City, at a minimum, impose, charge and collect in each Fiscal Year, such gas rates and charges as shall, together with all other Project Revenues (as defined in the Act) 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) 150% of the amount needed to satisfy sinking fund requirements of principal and interest which will become due and payable during such Fiscal Year for all bonds issued and outstanding under the 1975 General Ordinance; and
- (iii) The amount, if any, required to be paid into the sinking fund reserve under the 1975 General Ordinance during such Fiscal Year; or

B. The sum of:

- (i) All Net Operating Expenses payable during such Fiscal Year; and
- (ii) All Sinking Fund deposits required during such Fiscal Year with respect to all outstanding bonds issued under the 1975 General Ordinance and 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 under the 1975 General Ordinance.

The rate covenant in the 1998 General Ordinance requires the City, at a minimum, to 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:

1. 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 General Ordinance payable during such Fiscal Year and amounts required to be paid into the sinking fund reserve under the 1975 General 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 (as defined in the 1998 General Ordinance) and 100% of the amounts payable in respect of the Prior Obligations (as defined in the 1998 General Ordinance) 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 (as defined in the 1998 General Ordinance) 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 under the 1998 General Ordinance during such Fiscal Year,
- (vi) the Rebate Amount required to be paid to the 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 (as such terms are defined in the 1998 General Ordinance) during such Fiscal Year, or

2. 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 General Ordinance payable during such Fiscal Year and amounts required to be paid into the sinking fund reserve under the 1975 General 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 issued under the 1998 General Ordinance 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 under the 1998 General Ordinance,
- (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.

The Gas Commission is authorized and directed by the 1975 and 1998 General Ordinances to impose, charge and collect, or cause to be collected, all rents, rates and charges which shall be sufficient in each Fiscal Year to comply with the foregoing Rate Covenants.

**Bond Ratings**

In February 1999, Moody's Investors Service announced the downgrade of the underlying long-term ratings of the Revenue Bonds of the Philadelphia Gas Works ("PGW"). A copy of the Moody's rating change was forwarded to the Municipal Securities Rulemaking Board on March 17, 1999, pursuant to Securities and Exchange Commission rules.

**Bond Proceeds**

We have been informed by PGW that the proceeds from the sale of the Bonds will be used to:

- Finance PGW's current and future capital programs as approved by City Council.
- Refund all or a portion of the City's outstanding Gas Works Revenue Bonds, Eleventh C Series and Fourteenth Series which were issued under the 1975 General Ordinance.
- Pay any other Project Costs (as defined in the Act.)

It is understood that the bonds will be secured solely by the revenues of PGW received from all Gas System users.

The \$100.0 million of the Second Series Bonds (net after sinking fund reserve and issuance expenses) to be issued in 1999, and the projected \$75.0 million of the Third Series Bonds to be issued in 2003, will be used as shown on Table 16. The application of proceeds from these issues can be summarized as follows:

	<u>Amount</u> (000's)
Capital Improvement Fund Balance (08/31/98)	\$65,213
Total Revenue Bonds Issued for Capital Improvements	
- Second Series Bonds (up to)	100,000
- Third Series Bonds issued in 2003	75,000
Less Deposits for Sinking Fund Reserve and Issue Expenses (associated with Third Series Bonds to be issued in 2003)	<u>8,440</u>
Balance Available to PGW as Applied (08/31/05)	<u>\$231,773</u>
Capital Improvement Fund Drawdown	\$231,773
Capital Improvement Fund Balance (08/31/05)	<u>0</u>
Balance Accounted for (08/31/05)	<u>\$231,773</u>

## CURRENT ESTIMATE OF 1999 RESULTS

### Weather Results to Date

Fiscal year 1999 is turning out to be warmer than most years. This will have a major effect on planned 1999 income. PGW's current estimate of financial results is based on fiscal year 1999 containing 3,925 degree days, which is 675 degree days (14.7%) fewer degree days than the average weather which was assumed for budget purposes. The current estimate for fiscal year 1999 is based on six months of actual results (September, 1998 through February, 1999), and projections based upon other currently available information for the remaining six months.

We consider the weather results for the winter of 1998-1999 to be significantly atypical. We believe that average weather is the correct basis for PGW to use for budget and forecast plans.

### Impact on PGW

The 14.7% decrease in degree days in the current estimate for fiscal 1999 has affected PGW's sales and consequently affected its estimated financial results (Exhibit II). PGW projects a drop in firm sales, compared to original 1999 budgeted amounts, of 6,790 MMcf, amounting to a decrease of 11.2%. Firm sales, which primarily consist of heating load, tend to be most directly affected by changes in weather. Residential and Commercial categories of firm sales are estimated to fall 9.2% and 14.7% respectively.

Sales to interruptible customers are estimated to drop by (9.1%) to 8,740 MMcf. The reduction in interruptible sales is primarily due to the warmer than normal weather which had a significant effect on the Boiler & Power Service and LBS direct sales categories. Transportation service volumes are down slightly (4.2%) from budget also primarily due to the effects of warmer than normal weather.

Total Billed Revenues, due to the effects cited above, are estimated to decline from the budgeted level of \$546.2 million to about \$485 million, a drop of \$61 million (11%), as shown on Exhibit II.

In order to offset that decline and ultimately meet the rate covenant under the 1975 and 1998 General Ordinances, PGW initiated a series of expense reductions, as budgeted, and other initiatives. Total reductions and savings from initiatives are projected to be approximately \$18.5 million. At April 1, 1999, nearly \$15.0 million of such reductions had been realized. The remaining \$3.5 million of reductions and initiatives are anticipated to be realized by August 31, 1999. The reductions and expense initiatives consist of (1) a decrease in the reserve for bad debt (savings of \$3.5 million); (2) a decrease in labor costs for overtime associated with normal winter and routine operations, personnel reductions achieved through a hiring freeze and the capitalization of applicable labor costs to capital projects (savings of \$5.0 million); (3) restricted operating and maintenance spending (savings of \$4.3 million); (4) reduction in pension actuarial expense as a result of the overfunded status (\$5.1 million); (5) other income primarily interest earnings on restricted funds are expected to produce \$.6 million in interest income. In addition, the refunding of certain outstanding Gas Works revenue bonds will result in \$2.1 million in debt service savings.

We believe the responses of PGW's management are appropriate.

## STATEMENT OF INCOME

We have reviewed Philadelphia Gas Works' budget and forecast of revenues, operating expenses, and annual amounts of internally generated funds needed to satisfy its capital improvement program, its debt service, payments to the City of Philadelphia, and working capital requirements. (Reference Tables 15 through 18 and Exhibits I through VI at the back of this report.) Recognizing current regulatory and economic conditions under which PGW operates, we believe that PGW has developed a reasonable financial plan for the budgeted fiscal year 2000 and the forecasted fiscal years 2001-2005 assuming normal weather conditions for the forecasted years. The 1999 Current Estimate is also shown in these Tables and Exhibits and we consider this estimate to be atypical due to a warmer than normal winter.

### Financial Plan

PGW's projections for gas revenues and expenses are based upon historical data and assumptions which we consider reasonable. Other components of PGW's projected revenues and expenses have less of a historical basis, but are also based on assumptions which we consider reasonable.

The budget and forecast contemplate increased revenues in the amount of \$20.0 million in 2002.

### Debt Service Coverage

As detailed previously, PGW's rate covenant in the 1975 General Ordinance requires the debt service coverage ratio to be at least 1.50. PGW's applicable rate covenant in the 1998 General Ordinance requires a debt service coverage ratio of (i) 1.00 for debt service on all outstanding Bonds issued under the 1975 General Ordinance, (ii) 1.50 for debt service on all outstanding Senior Bonds issued under the 1998 General Ordinance, and 1.00 for debt service on outstanding obligations to the Philadelphia Municipal Authority existing on the date of adoption of the 1998 Ordinance, and (iii) 1.00 for debt service on (a) all outstanding Subordinate Bonds issued under the 1998 General Ordinance and (b) all other obligations on a

parity with such Subordinate Bonds. In PGW's rate proceeding before the Commission in 1988 all parties agreed that there should be some cushion above the 1.50 level to allow PGW to retain its bond rating. PGW's current projection (6 months actual plus 6 months estimated) results in sufficient coverage ratios under the 1975 General Ordinance and sufficient funds above requirements under the 1998 General Ordinance.

Bond coverage under both the 1975 General Ordinance and the 1998 General Ordinance has been calculated as shown in Table 15A, assuming both the Sixteenth Series Bonds and the Second Series Bonds are issued during fiscal 1999. Coverages of debt service from operations in this case are as follows:

	<u>Fiscal Year Ended August 31,</u>						
	<u>Current Estimate 1999</u>	<u>Budget 2000</u>	<u>Forecast</u>				
			<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Bonds							
1975 Ordinance	1.64	1.95	2.30	2.48	3.01	2.88	3.33
Senior Bonds							
1998 Ordinance	1.92	2.23	2.02	3.19	3.07	3.07	2.93
Subordinate Bonds							
1998 Ordinance	6.75	13.46	14.94	26.24	31.02	30.58	33.37

This table indicates that sufficient funds are estimated to exist in each year of the forecast to provide the required coverage for each type of debt service as specified under the terms of both the 1975 General Ordinance and the 1998 General Ordinance. All of our tests made under the 1975 General Ordinance and the 1998 General Ordinance show that sufficient funds to provide the required coverage can reasonably be expected to be available during the forecast period.

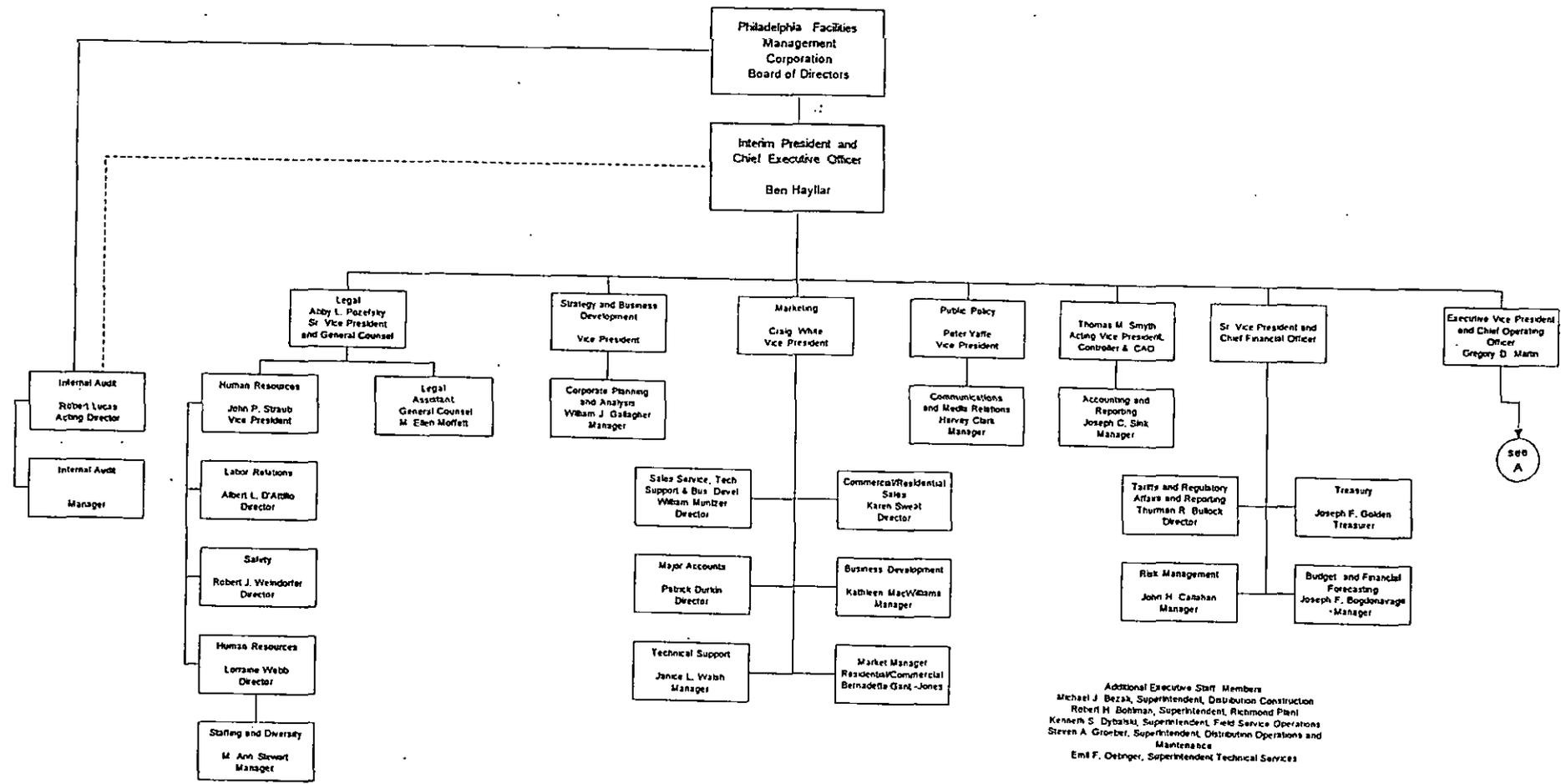
Table 15B represents an alternate scenario in which only the Second Series Bonds are issued in fiscal 1999. No Sixteenth Series Refunding is included.

A third scenario is presented in Table 15C in which only the Sixteenth Series Bonds are issued in fiscal 1999. This table assumes that revenue bonds to finance revenue projects are issued in fiscal 2000.

Tables 15B and 15C indicate that sufficient funds are estimated to exist in each year of the forecast to provide the required coverage under terms of both the 1975 General Ordinance and the 1998 General Ordinance under either of these alternate scenarios.

To the extent that the City of Philadelphia refunds a portion of the Fourteenth Series Bonds (as well as Eleventh Series C Bonds), we believe this would not adversely affect the debt service coverages shown in Table 15A, Table 15B, or Table 15C.

PHILADELPHIA GAS WORKS  
 ORGANIZATION  
 May 4, 1999



Additional Executive Staff Members  
 Michael J. Bezak, Superintendent, Distribution Construction  
 Robert H. Bohman, Superintendent, Richmond Plant  
 Kenneth S. Dybalski, Superintendent, Field Service Operations  
 Steven A. Gronber, Superintendent, Distribution Operations and Maintenance  
 Emil F. Oebinger, Superintendent Technical Services

PHILADELPHIA GAS WORKS  
 ORGANIZATION -ADDENDUM A.  
 May 4, 1999

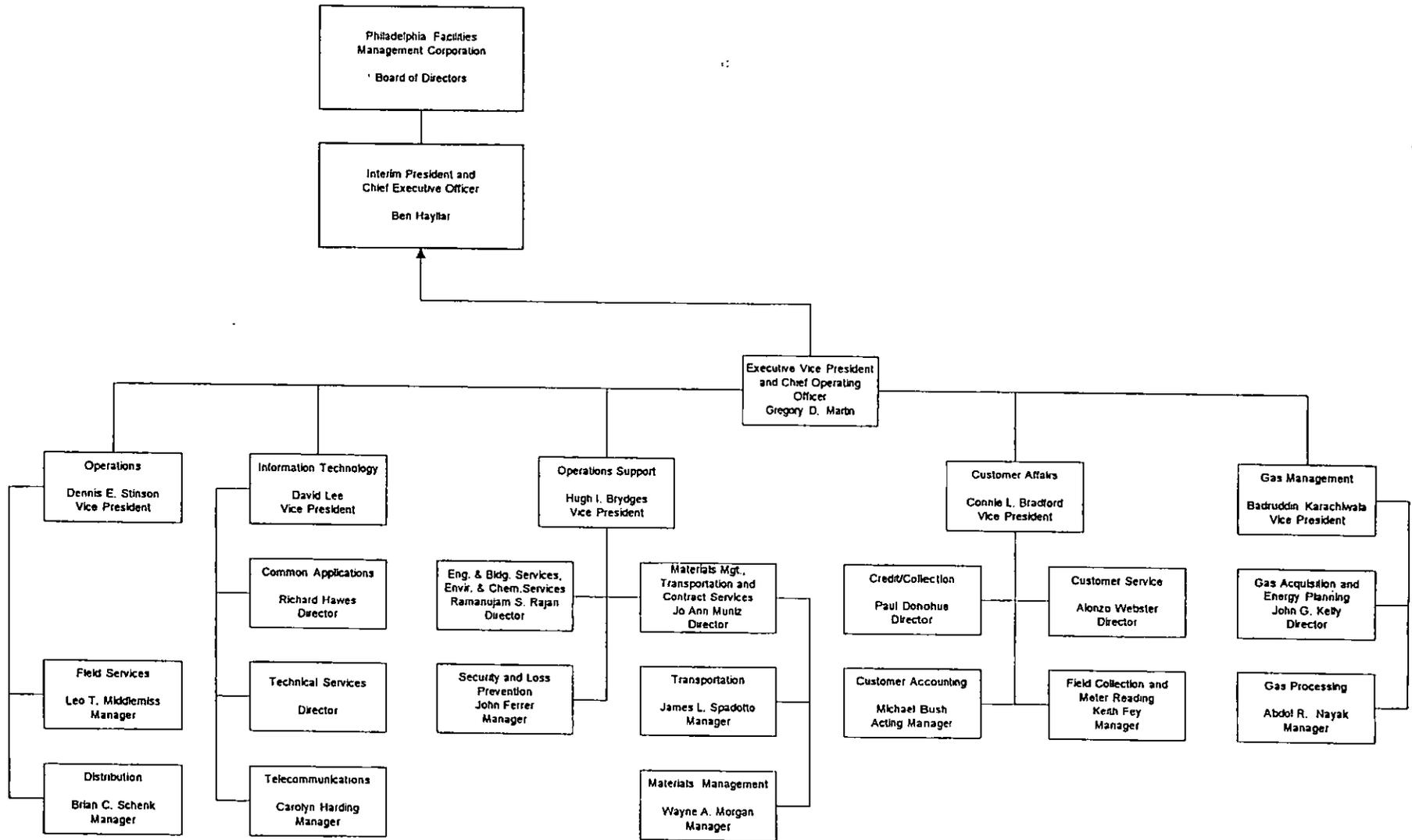
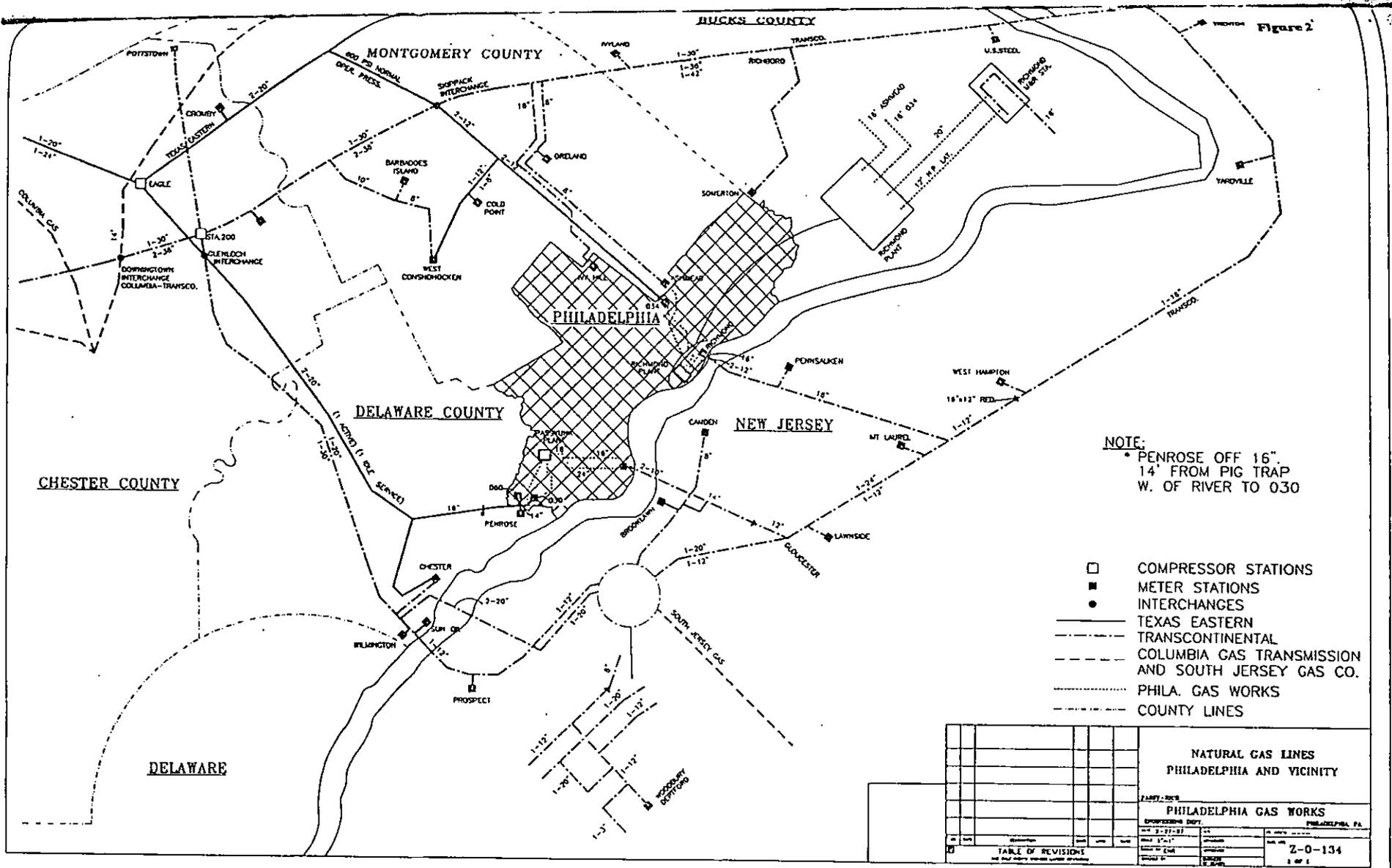


Figure 2



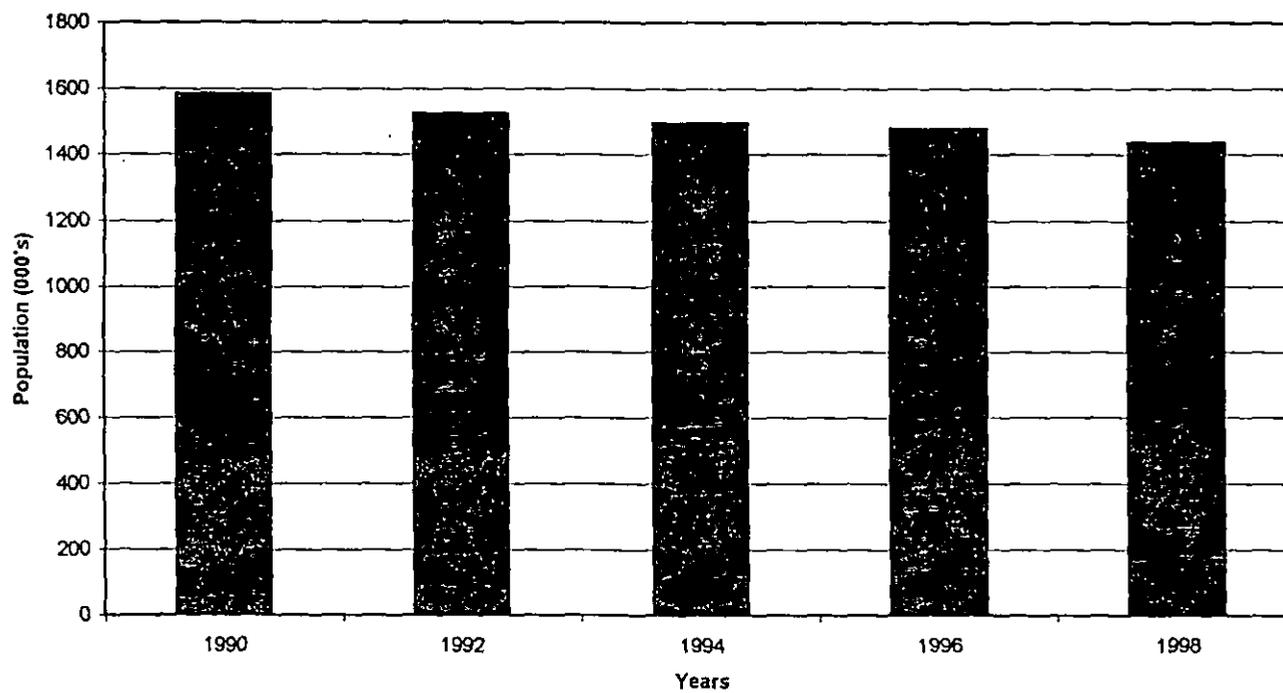
NOTE:  
 • PENROSE OFF 16"  
 14' FROM PIG TRAP  
 W. OF RIVER TO 030

- COMPRESSOR STATIONS
- METER STATIONS
- INTERCHANGES
- TEXAS EASTERN
- - - TRANSCONTINENTAL
- - - COLUMBIA GAS TRANSMISSION AND SOUTH JERSEY GAS CO.
- ..... PHILA. GAS WORKS
- - - CHUNY LINES

NATURAL GAS LINES PHILADELPHIA AND VICINITY	
PHILADELPHIA GAS WORKS	
PHILADELPHIA, PA.	
Z-0-134	
1 OF 1	

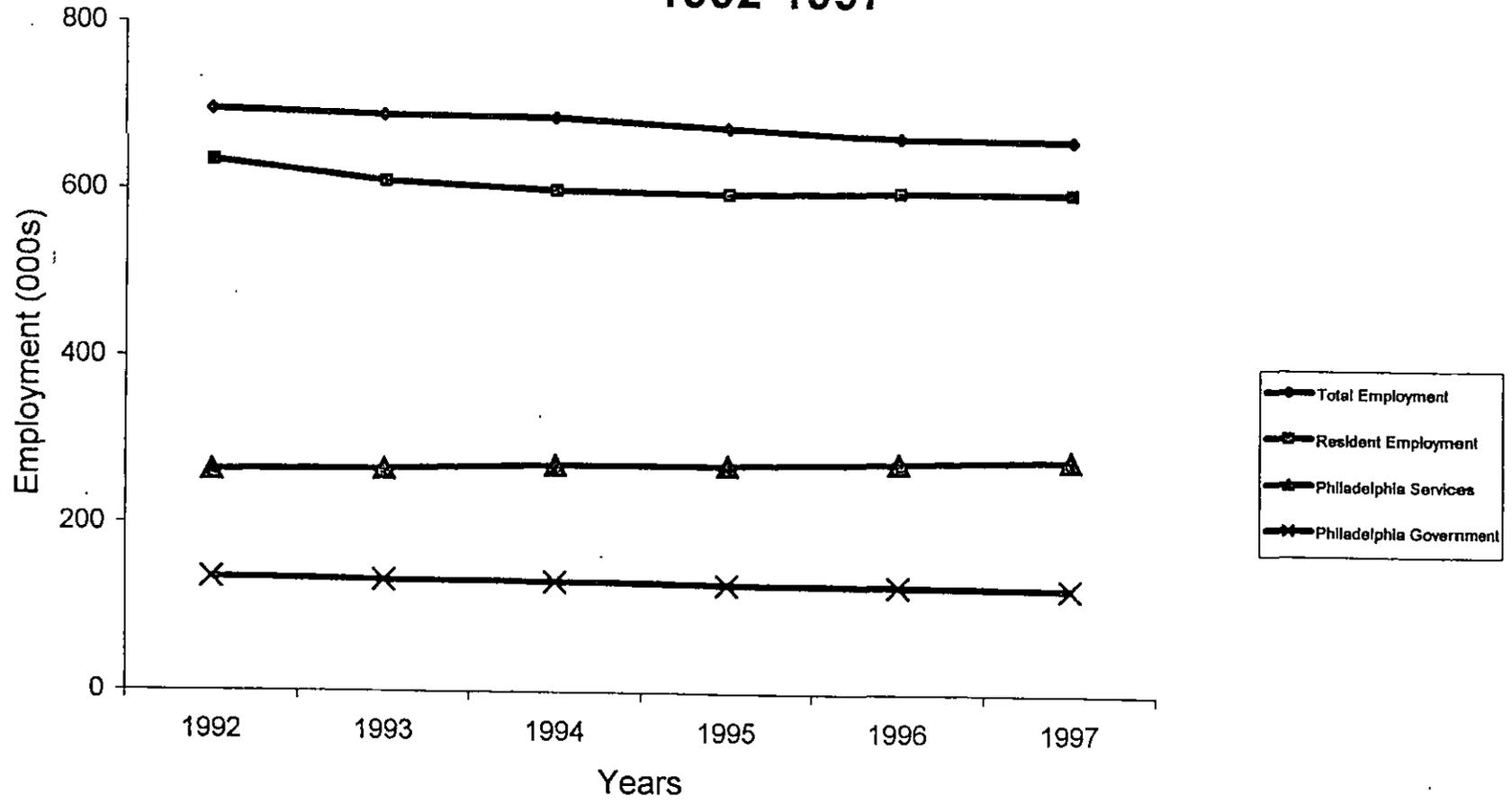
TABLE OF REVISIONS	
NO.	DESCRIPTION

### PHILADELPHIA POPULATION ESTIMATES



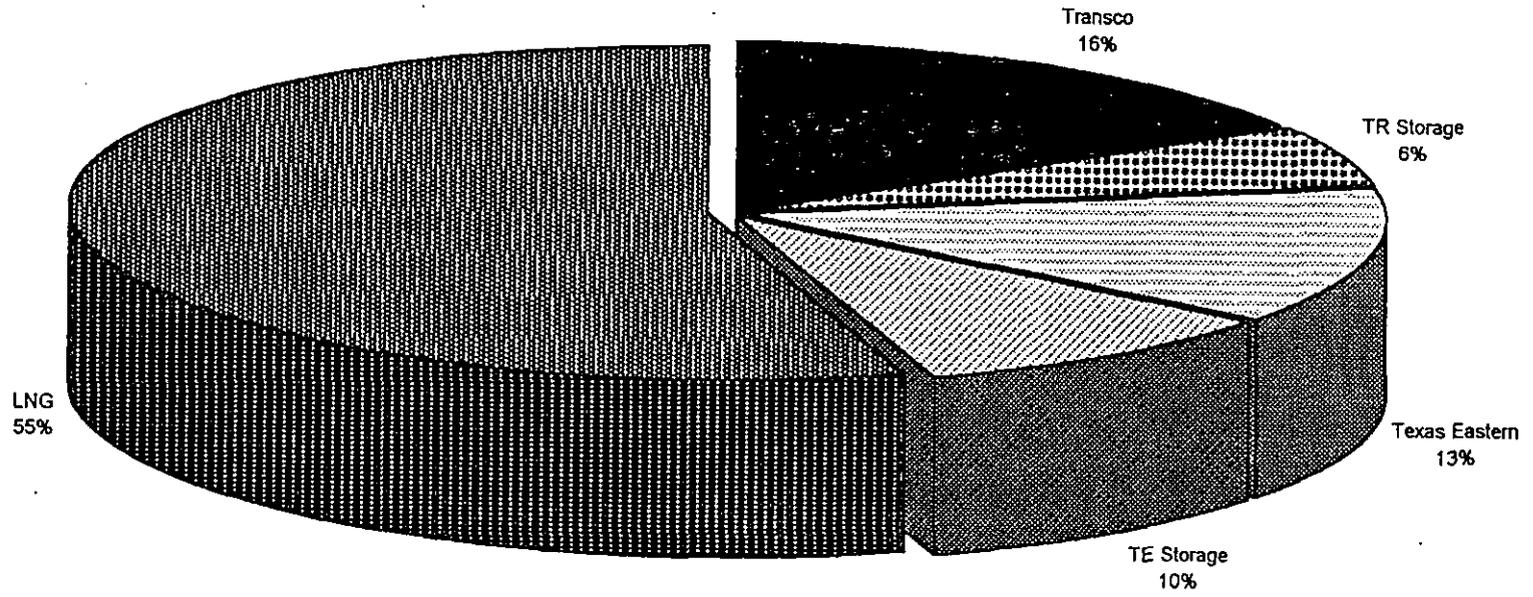
Source: Delaware Valley Regional Planning Commission.

# Philadelphia Employment Statistics 1992-1997

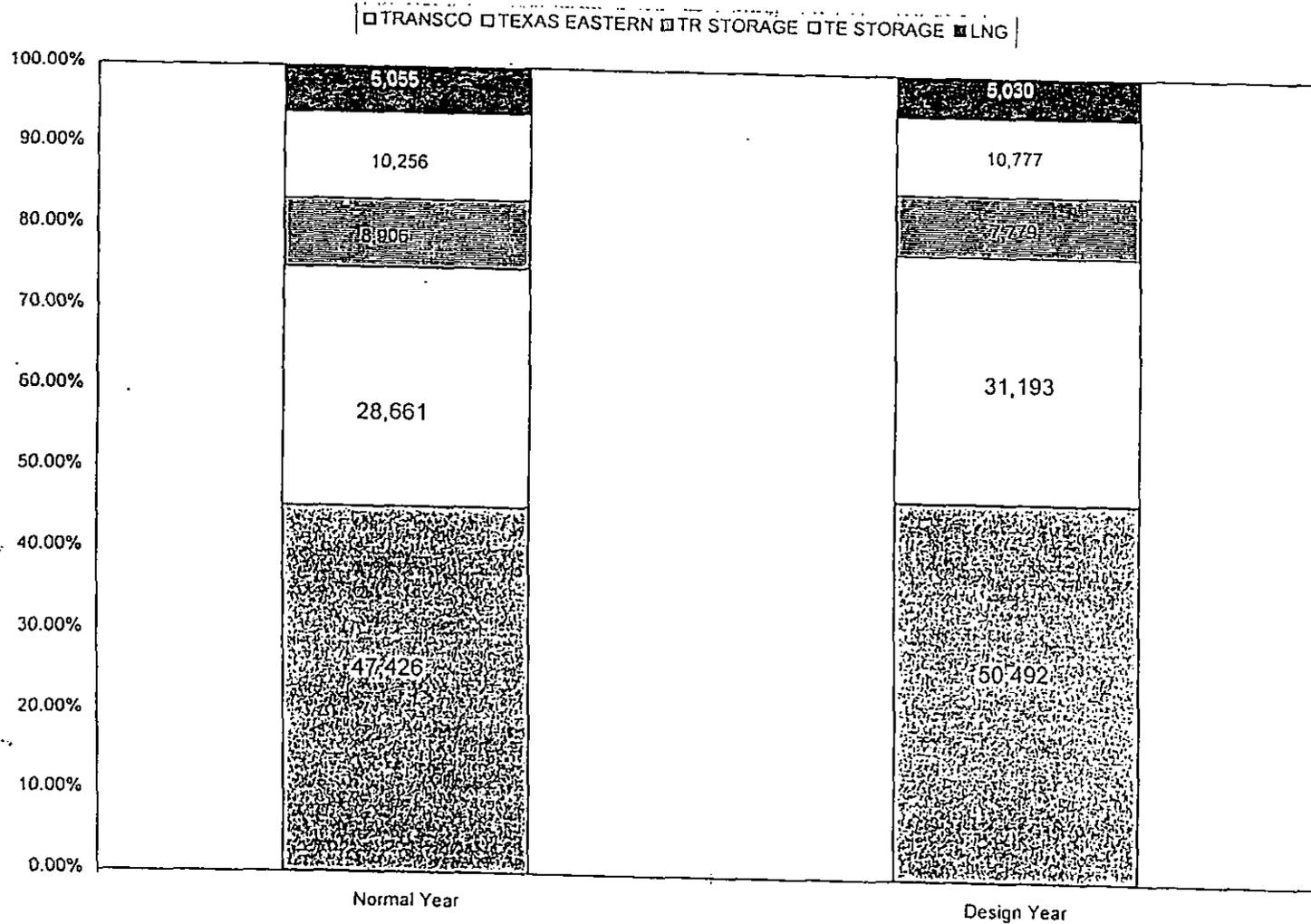


Source: PA Dept. of Labor Industry, Bureau of Research Statistics

Philadelphia Gas Works  
1999-00 Peak Day Availability  
By Delivery Source



PHILADELPHIA GAS WORKS  
1999-00 Budget Year  
Annual Requirements by Delivery Source

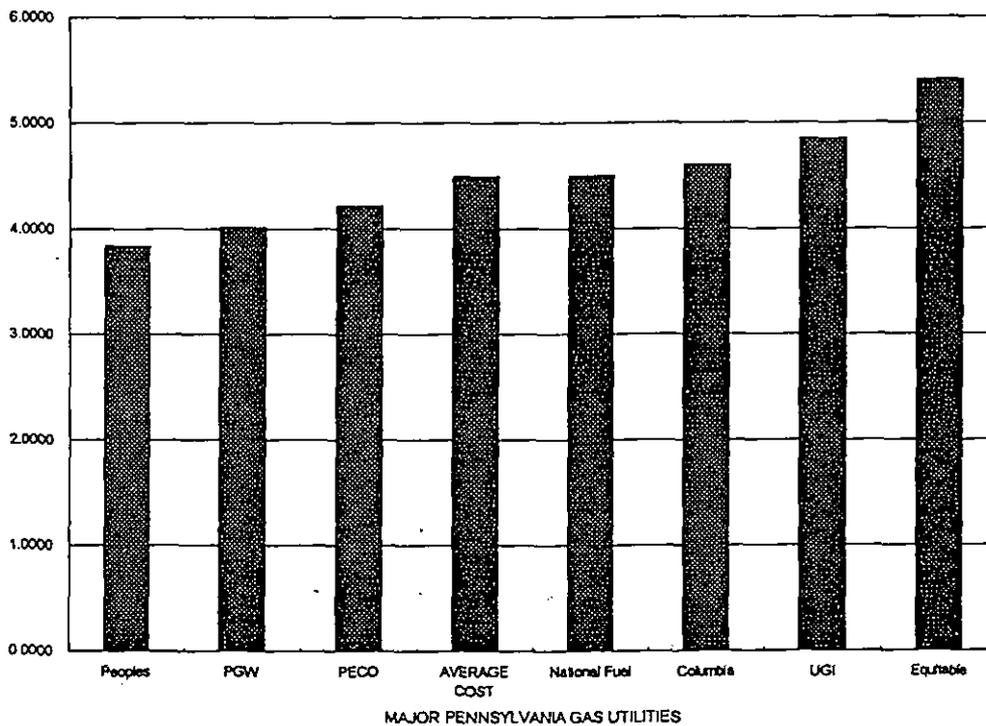


COMPARISON OF GAS COSTS (\$/MCF) AMONG MAJOR PENNSYLVANIA UTILITIES

	(A)	(B)	(C)	(D)	(E)	(F)
		(0.05 x A)	(A - B)		(C - D)	
	GROSS FUEL COST	PA GROSS RECEIPTS TAX @ 5%	NET FUEL COST	SOCIAL COSTS	OBJECTIVE FUEL COST	COMPARISON OF "E" TO AVERAGE
PGW	4.4340	0.0000	4.4340	0.4152	4.0188	89.45%
PECO	4.4458	0.2223	4.2235	0.0000	4.2235	94.01%
UGI	5.1100	0.2555	4.8545	0.0000	4.8545	108.06%
Equitable	5.6900	0.2845	5.4055	0.0000	5.4055	120.32%
Peoples	4.0422	0.2021	3.8401	0.0000	3.8401	85.48%
Columbia	4.8500	0.2425	4.6075	0.0000	4.6075	102.56%
National Fuel	4.7348	0.2367	4.4981	0.0000	4.4981	100.12%
				Average:	4.4926	

Source: August 1998 PGW GCR filing.

Objective Fuel Cost  
\$/MCF



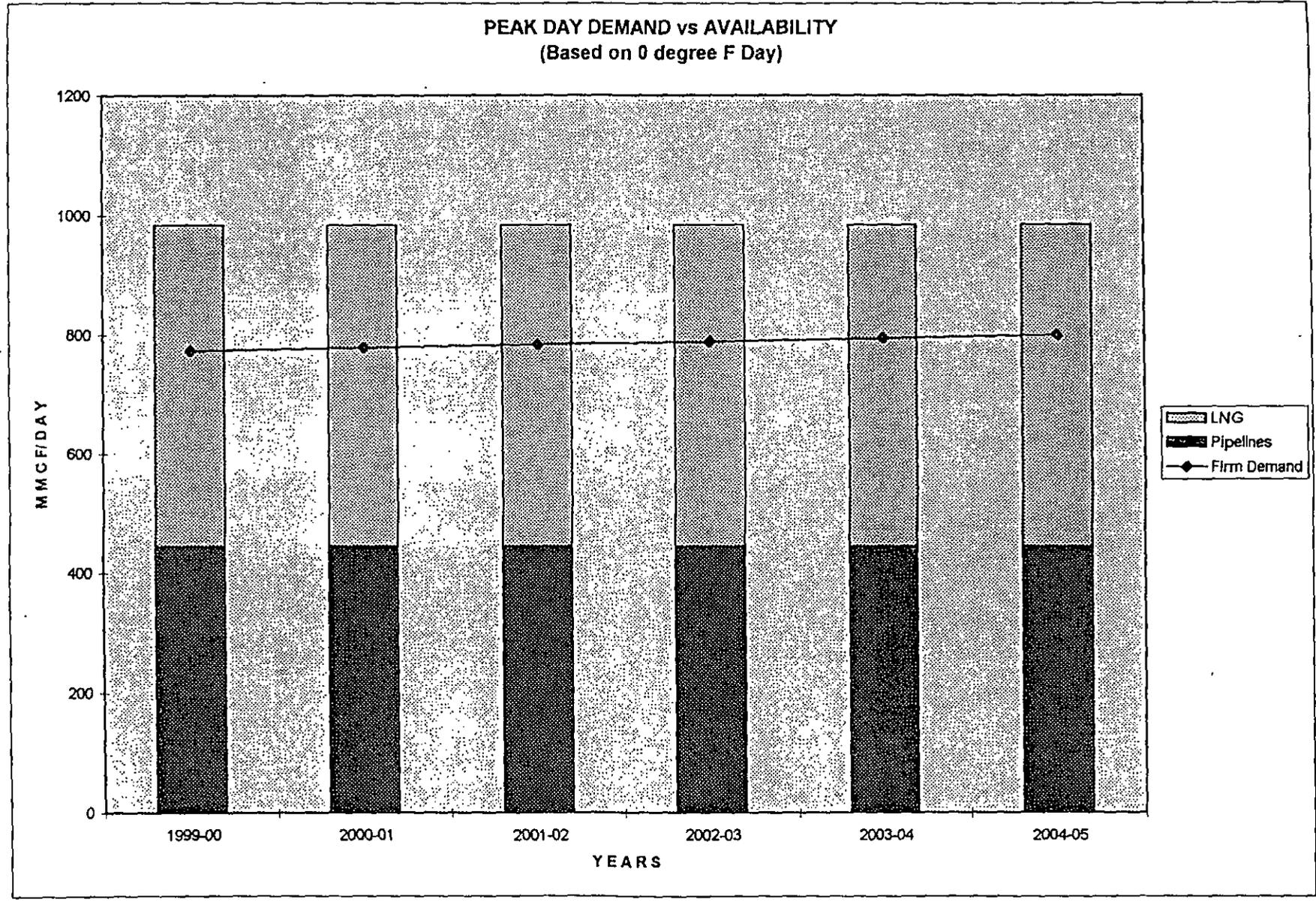
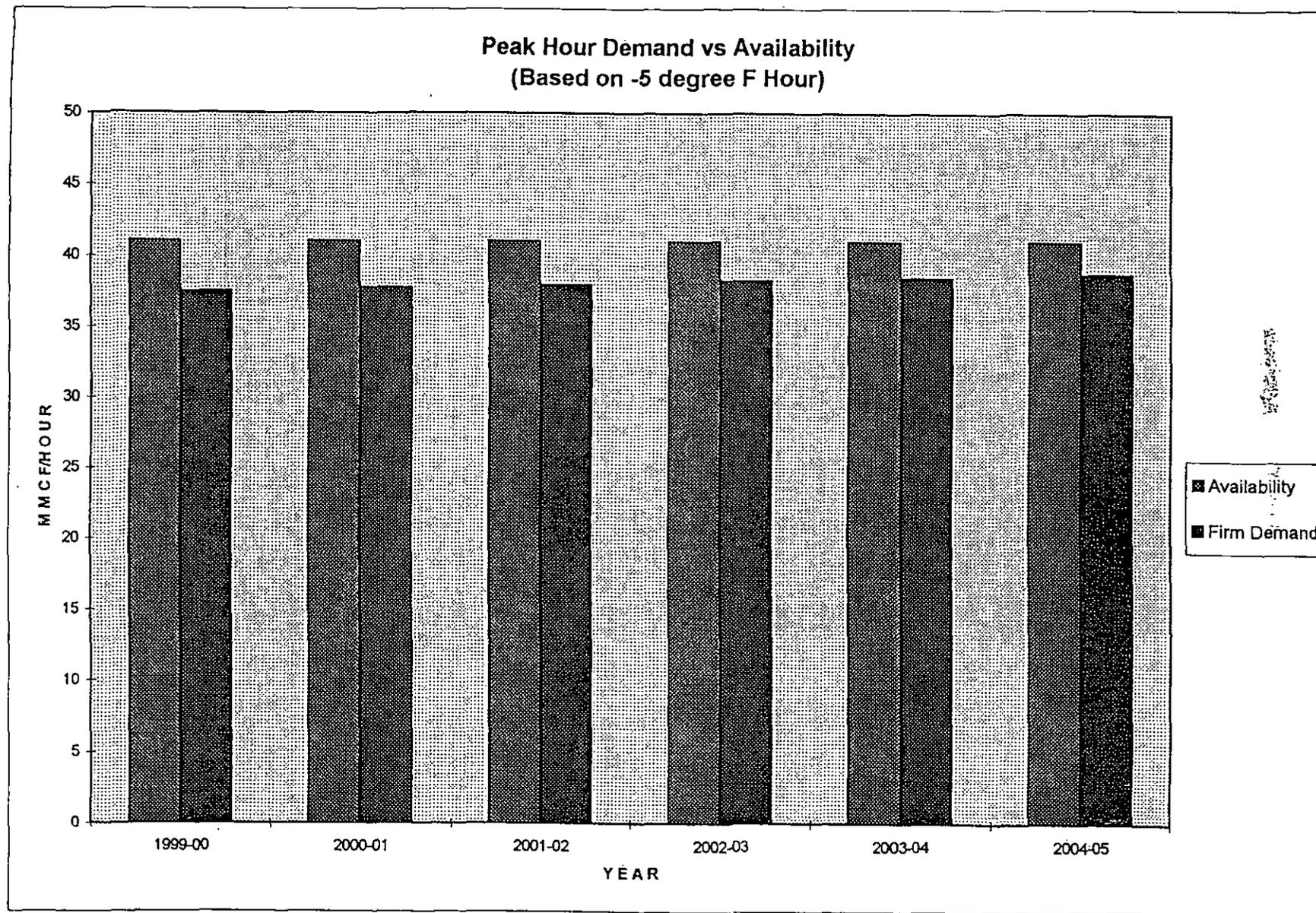
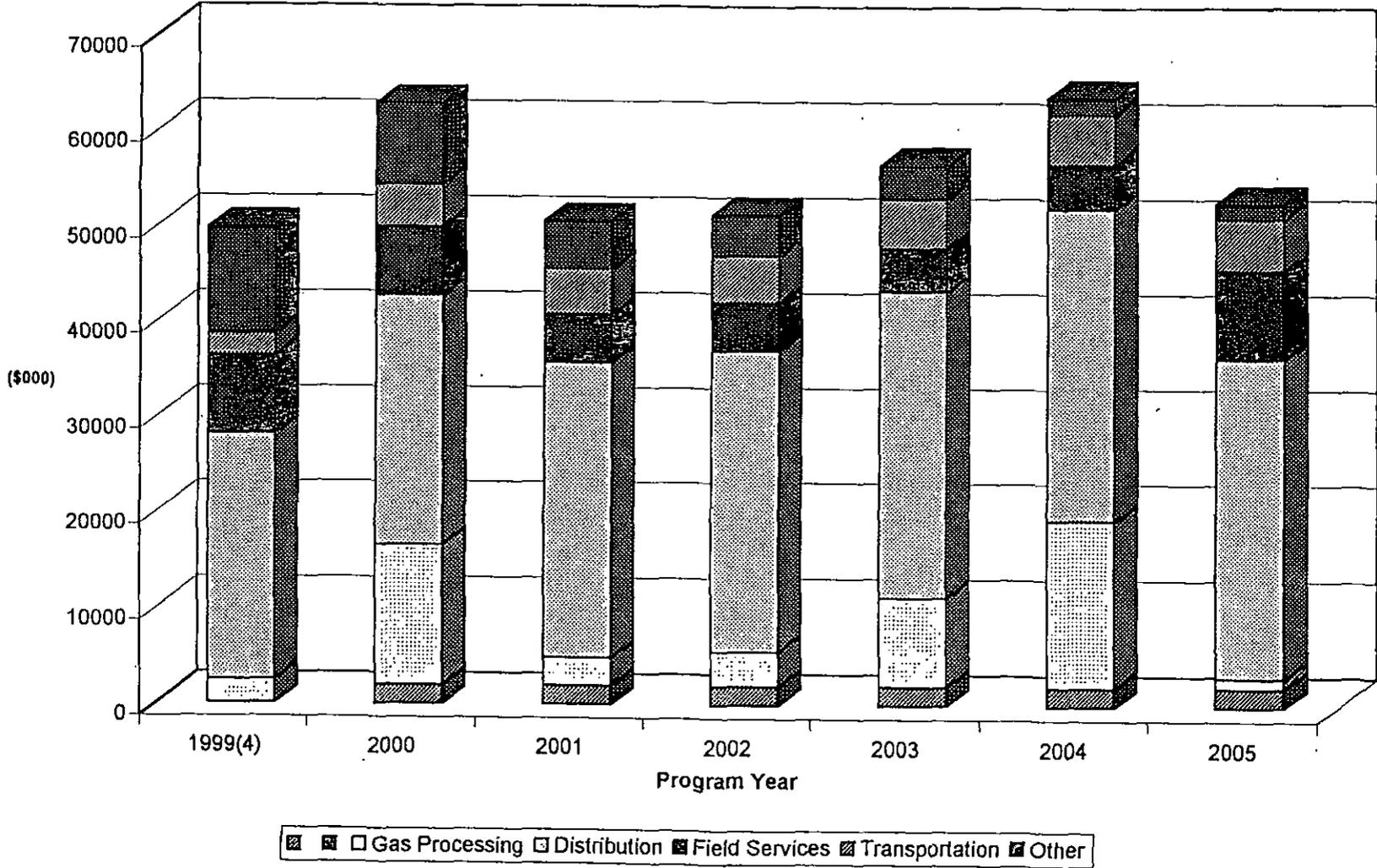


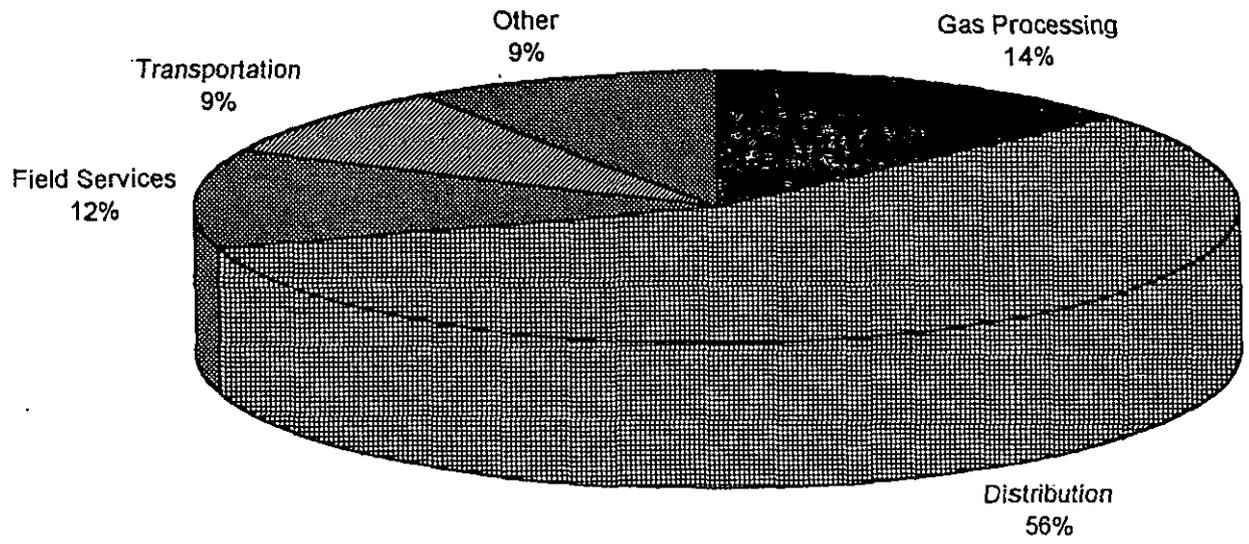
Figure 7



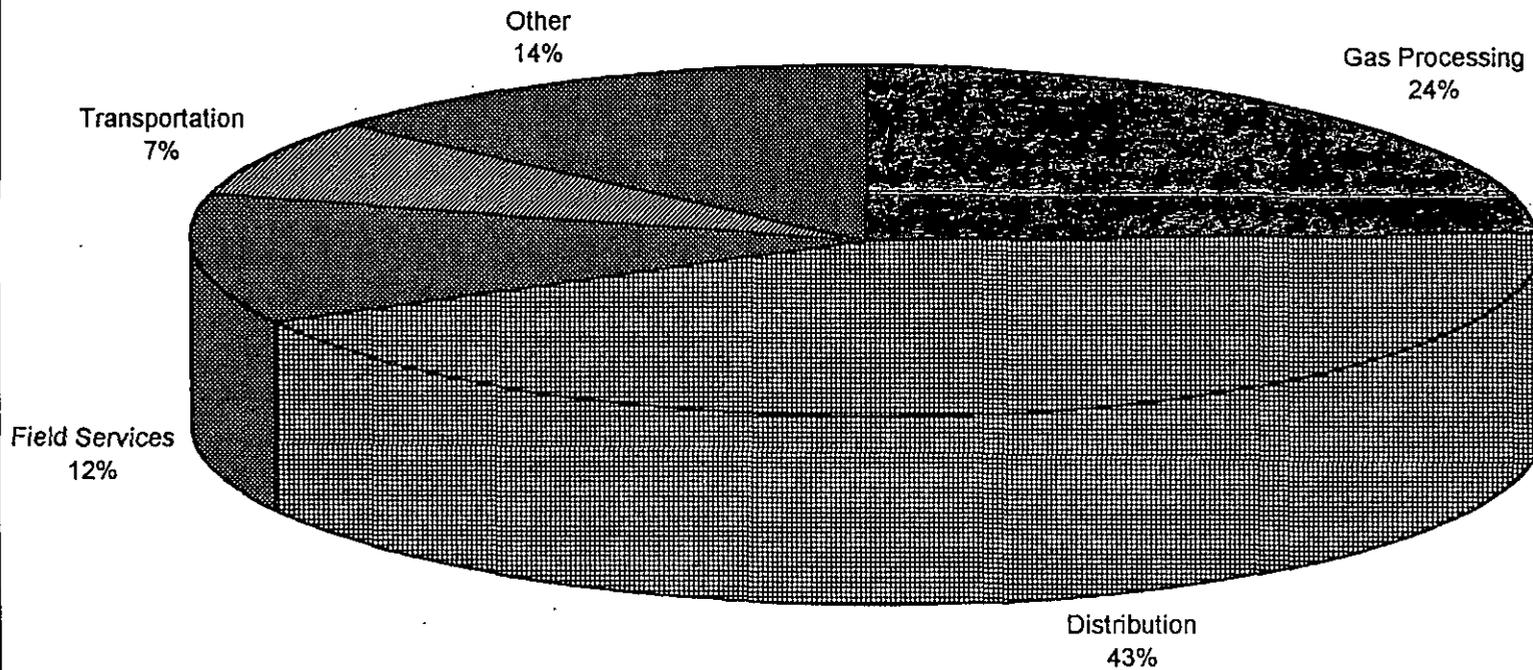
**PGW PROPOSED CAPITAL IMPROVEMENT PROGRAM  
FY 1999 AND FORECAST YRS 2000-2005**



**PGW PROPOSED CAPITAL BUDGET**  
TOTAL FOR FY 1999 AND FORECAST YRS 2000-2005



**PGW PROPOSED CAPITAL BUDGET**  
TOTAL FOR FY 2000 ONLY



**TABLE 1**  
**PHILADELPHIA GAS WORKS**  
**HISTORICAL NUMBER OF CUSTOMERS**

	<u>Fiscal Years Ending August 31</u>										<u>Fiscal Year</u> <u>Ended</u> <u>June 30,</u> <u>1980</u>
	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>	<u>1993</u>	<u>1992</u>	<u>1991</u>	<u>1990</u>	<u>1985</u>	<u>1980</u>
Residential	487,876	486,716	490,614	492,601	493,606	499,189	495,176	497,696	494,253	500,378	516,683
Commercial/Industrial											
Firm:	23,961	24,165	23,909	24,066	23,930	23,898	24,236	24,788	24,614	18,482	20,328
Interruptible:	450	454	441	423	413	416	410	348	337	135	81
Municipal/Housing Authority	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>
<b>TOTAL</b>	512,289	511,337	514,966	517,092	517,951	523,505	519,824	522,834	519,206	518,997	537,094

**TABLE 2**  
**PHILADELPHIA GAS WORKS**  
**HISTORICAL GAS SALES**  
**(MMcf)**

	<u>Fiscal Years Ending August 31</u>								<u>Fiscal Year</u>		
	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>	<u>1993</u>	<u>1992</u>	<u>1991</u>	<u>1990</u>	<u>1985</u>	<u>Ended June 30, 1980</u>
<b>Firm:</b>											
Residential	41,621	46,809	51,330	43,748	51,188	49,210	47,432	43,325	47,898	46,104	51,520
Commercial	7,949	8,672	9,234	7,913	8,862	8,412	8,226	7,710	7,792	6,419	6,510
Industrial	1,305	1,516	1,743	1,696	2,114	1,971	2,096	2,046	2,334	2,524	3,809
Municipal	1,269	1,348	1,516	1,310	1,441	1,443	1,554	1,270	1,394	1,355	1,641
Housing Authority	1,258	1,468	1,648	1,581	1,717	1,994	1,832	1,829	1,971	1,993	2,816
Sales for Resale	<u>253</u>	<u>250</u>	<u>201</u>	<u>-</u>	<u>19</u>	<u>-</u>	<u>168</u>	<u>49</u>	<u>96</u>	<u>19</u>	<u>0</u>
<b>Total Firm</b>	<b>53,655</b>	<b>60,063</b>	<b>65,672</b>	<b>56,248</b>	<b>65,341</b>	<b>63,030</b>	<b>61,308</b>	<b>56,229</b>	<b>61,485</b>	<b>58,414</b>	<b>66,296</b>
<b>Interruptible:</b>											
Boiler and Power Services	3,994	3,943	3,548	3,220	2,477	3,319	2,898	3,282	3,251	1,681	10,085
Load Balancing Service	4,443	4,378	4,807	6,104	5,639	7,026	6,174	8,934	6,987	9,756	10,945
Co-Generation	177	279	392	452	343	433	335	162	-	-	-
Natural Gas Vehicle (NGV)	3	6	8	6	-	-	-	-	-	-	-
Gas Transportation-Retail	<u>1,008</u>	<u>1,210</u>	<u>1,398</u>	<u>1,781</u>	<u>1,060</u>	<u>1,546</u>	<u>1,128</u>	<u>110</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Interruptible</b>	<b>9,625</b>	<b>9,816</b>	<b>10,153</b>	<b>11,563</b>	<b>9,519</b>	<b>12,324</b>	<b>10,535</b>	<b>12,488</b>	<b>10,238</b>	<b>11,437</b>	<b>21,030</b>
<b>Total Sales</b>	<b>63,280</b>	<b>69,879</b>	<b>75,825</b>	<b>67,811</b>	<b>74,860</b>	<b>75,354</b>	<b>71,843</b>	<b>68,717</b>	<b>71,723</b>	<b>69,851</b>	<b>87,326</b>
Gas Transportation Service	<u>8,266</u>	<u>2,310</u>	<u>4,484</u>	<u>6,408</u>	<u>2,575</u>	<u>2,848</u>	<u>3,928</u>	<u>632</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Sales w/ Transport</b>	<b><u>71,546</u></b>	<b><u>72,189</u></b>	<b><u>80,309</u></b>	<b><u>74,219</u></b>	<b><u>77,435</u></b>	<b><u>78,202</u></b>	<b><u>75,771</u></b>	<b><u>69,349</u></b>	<b><u>71,723</u></b>	<b><u>69,851</u></b>	<b><u>87,326</u></b>
Degree Days	3,996	4,622	5,159	4,200	4,998	4,731	4,542	3,900	4,431	4,428	4,692

**TABLE 3**  
**PROJECTED GAS SALES**  
**FISCAL YEARS 1999 THROUGH 2005**  
**(MMcf)**

	<u>Fiscal Years Ended August 31,</u>						
	<u>Current</u>	<u>Budget</u>	<u>Forecast</u>	<u>Forecast</u>	<u>Forecast</u>	<u>Forecast</u>	<u>Forecast</u>
	<u>Estimate(a)</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
	<u>1999</u>						
<b>Firm:</b>							
Residential	42,383	45,763	45,662	45,572	45,506	45,465	45,442
Commercial	7,890	8,966	9,109	9,238	9,374	9,514	9,659
Industrial	1,326	1,424	1,521	1,652	1,785	1,918	2,052
Municipal	1,200	1,376	1,374	1,372	1,374	1,377	1,380
Housing Authority	1,188	1,317	1,312	1,309	1,308	1,309	1,310
<b>Total Firm</b>	<u>53,987</u>	<u>58,846</u>	<u>58,978</u>	<u>59,143</u>	<u>59,347</u>	<u>59,583</u>	<u>59,843</u>
<b>Interruptible:</b>							
Boiler & Power Service	3,586	4,302	4,509	4,724	5,098	5,470	5,839
Load Balancing Service	3,911	4,238	4,294	4,360	4,485	4,609	4,732
BPS - A/C	220	319	345	371	397	423	449
Grays Ferry	105	165	165	165	165	165	165
LNG Direct	5	-	-	-	-	-	-
Co-Generation	205	233	228	228	228	228	228
Natural Gas Vehicle Serv.	3	3	3	3	3	3	3
Gas Transportation- Retail	705	638	620	620	620	620	620
<b>Total Interruptible</b>	<u>8,740</u>	<u>9,898</u>	<u>10,164</u>	<u>10,471</u>	<u>10,996</u>	<u>11,518</u>	<u>12,036</u>
<b>Total Sales</b>	62,727	68,744	69,142	69,614	70,343	71,101	71,879
<b>Gas Transportation Service</b>	12,490	15,229	15,229	15,229	15,229	15,229	15,229
<b>Total Sales &amp; Transport.*</b>	<u>75,217</u>	<u>83,973</u>	<u>84,371</u>	<u>84,843</u>	<u>85,572</u>	<u>86,330</u>	<u>87,108</u>
<b>Degree Days</b>	3,925	4,600	4,600	4,600	4,600	4,600	4,600

**Note:**

(a) Current Estimate is based on six months actual data and six months projections based upon currently available information.

\* Totals may vary due to rounding.

TABLE 4  
PHILADELPHIA GAS WORKS  
CUSTOMER BILLINGS (a)  
FISCAL YEARS 2000-2005

	Budget 2000	Forecast 2001	Forecast 2002	Forecast 2003	Forecast 2004	Forecast 2005
Residential	483,673	482,621	481,654	480,973	480,529	480,280
Commercial	24,123	24,508	24,856	25,221	25,599	25,989
Industrial	1,122	1,197	1,300	1,405	1,510	1,615
Interruptible	507	521	536	563	590	616
Transportation	10	10	10	10	10	10
Municipal	906	905	904	905	907	909
Housing Authority	<u>4,567</u>	<u>4,551</u>	<u>4,539</u>	<u>4,538</u>	<u>4,541</u>	<u>4,544</u>
<b>TOTAL</b>	<b>514,908</b>	<b>514,313</b>	<b>513,799</b>	<b>513,615</b>	<b>513,686</b>	<b>513,963</b>

Note:

(a) average number of customer billings

(b) Total may vary due to rounding

TABLE 5  
PHILADELPHIA GAS WORKS  
CONTRACTS FOR TRANSPORTATION  
STORAGE AND SUPPLY SERVICES

	Contract Name	Contract Quantity (Dth)		Expiration Date
		Annual	Daily	
<b>Transportation Contracts</b>				
<b>Direct Service</b>				
Transco	FT	60,302,380	165,212	March 31, 2005
	PSFT	177,030	1,967	July 31, 2011
Texas Eastern	CDS	27,375,000	75,000	October 31, 2001
	FT-1	21,835,030	59,822	October 31, 2001
<b>Storage Related</b>				
Transco	GSS (a)		61,567	March 31, 2013
	S-2 (a),(b)		5,193	April 15, 2001
Texas Eastern	SS-1 (a)		64,965	April 30, 2012
	FTS-2		5,394	March 31, 2002
	FTS-7		7,788	March 31, 2006
	FTS-8		25,709	March 31, 2006
<b>Storage Contracts</b>				
<b>Direct Service</b>				
Transco	GSS (a)	4,123,733	61,567	March 31, 2013
	S-2 (a),(b)	466,554	5,193	April 15, 2001
	WSS (b)	3,335,909	39,246	March 31, 1998
	ESS	84,971	8,446	Contract Pending
Texas Eastern	SS-1 (a)	5,109,200	64,965	April 30, 2012
<b>Off-System Storage</b>				
Delivery via Texas Eastern	ANR	1,897,724	13,266	March 31, 2013
	Equitrans	522,500	4,998	April 1, 2002
	CNG-GSS-TE	3,918,971	34,047	March 31, 2006
<b>Supply Contracts</b>				
<b>Firm Long Term</b>				
Transco	Pipeline 3rd Party	FS (b),(d)	18,183,364	March 31, 2001
		Multiple (d)	5,180,000	Various
	Texas Eastern	3rd Party	Multiple (d)	5,193,449
<b>Storage</b>				
Transco		(d)	8,906,171	
	Texas Eastern	(d)	10,256,036	
<b>Spot</b>				
Transco		(d)	24,062,707	
	Texas Eastern	(d)	23,467,004	

Notes:

- (a) Bundled storage and transportation service
- (b) Extended on a year to year basis
- (c) Volume leased to outside company for peaking service
- (d) Based on the 1999-00 10&2 Budget Run Normal Year

**PHILADELPHIA GAS WORKS**  
**SUPPLY / DEMAND BALANCE**  
**FISCAL YEARS 2000 - 2005**  
**NORMAL YEAR - 4600 HDD**  
**(1000 Dth)**

Table 6

	2000	2001	2002	2003	2004	2005
<b>Demand (a)</b>						
Firm	63,468	63,610	63,788	64,008	64,263	64,543
Boiler and Power Service	4,913	5,045	5,198	5,458	5,717	5,974
Load Balancing Service	4,517	4,639	4,779	5,018	5,256	5,493
Cogeneration	180	185	190	200	209	219
GTS	685	685	685	685	685	685
Natural Gas Vehicles	3	3	3	3	3	3
Trigen	67	67	67	67	67	67
Grays Ferry	171	171	171	171	171	171
<i>Sub-Totals Sales</i>	74,004	74,405	74,880	75,610	76,372	77,154
Plant Use	1,962	2,048	2,093	2,102	2,114	2,075
Storage Injection	19,242	19,242	19,242	19,242	19,242	19,242
Liquefaction	5,094	5,094	5,094	5,094	5,094	5,094
<b>Total Demand (b)</b>	<b>100,302</b>	<b>100,789</b>	<b>101,309</b>	<b>102,048</b>	<b>102,822</b>	<b>103,565</b>
<b>Supplies</b>						
Transco (c)	47,426	47,727	48,051	48,512	48,899	49,457
Texas Eastern (c)	28,661	28,845	29,041	29,319	29,552	29,891
Storage Withdrawal	19,162	19,162	19,162	19,162	19,162	19,162
LNG	5,055	5,055	5,055	5,055	5,055	5,055
<b>Total Supplies (b)</b>	<b>100,304</b>	<b>100,789</b>	<b>101,309</b>	<b>102,048</b>	<b>102,668</b>	<b>103,565</b>

Notes:

- (a) Includes Unaccounted - for Gas
- (b) Totals may vary due to rounding
- (c) Gas Delivered to City Gate

PHILADELPHIA GAS WORKS  
SUPPLY / DEMAND BALANCE  
FISCAL YEARS 2000 - 2005  
DESIGN YEAR - 5280 HDD  
(1000 Dth)

Table 7

	2000	2001	2002	2003	2004	2005
<b>Demand (a)</b>						
Firm	70,378	70,536	70,733	70,977	71,259	71,570
Boiler and Power Service	4,401	4,519	4,656	4,889	5,121	5,352
Load Balancing Service	3,097	3,180	3,276	3,441	3,604	3,766
Cogeneration	136	140	144	151	158	165
GTS	487	487	487	487	487	487
Natural Gas Vehicles	2	2	2	2	2	2
Trigen	30	30	30	30	30	30
Grays Ferry	84	84	84	84	84	84
<i>Sub-Totals Sales</i>	78,615	78,978	79,412	80,061	80,746	81,456
Plant Use	1,916	1,999	2,044	2,041	2,054	2,041
Storage Injection	19,103	19,103	19,103	19,103	19,103	19,103
Liquefaction	5,036	5,036	5,036	5,036	5,036	5,036
<b>Total Demand (b)</b>	<b>104,670</b>	<b>105,117</b>	<b>105,595</b>	<b>106,241</b>	<b>106,938</b>	<b>107,636</b>
<b>Supplies</b>						
Transco (c)	50,492	50,765	51,060	51,460	51,891	52,322
Texas Eastern (c)	31,193	31,366	31,549	31,795	32,061	32,328
Storage Withdrawal	17,956	17,956	17,956	17,956	17,956	17,956
LNG	5,030	5,030	5,030	5,030	5,030	5,030
<b>Total Supplies (b)</b>	<b>104,671</b>	<b>105,117</b>	<b>105,595</b>	<b>106,241</b>	<b>106,938</b>	<b>107,636</b>

Notes:

- (a) Includes Unaccounted - for Gas
- (b) Totals may vary due to rounding
- (c) Gas Delivered to City Gate

**TABLE 8**  
**PHILADELPHIA GAS WORKS**  
**Peak Day and Peak Hour Capacity (Mmcf)**  
**Fiscal Years 2000-2005**

(Design Peak Day Weather = 0 degrees F)  
 (Design Peak Hour Weather = -5 degrees F)

(Mmcf @ 1.030 Btu/cf)

Source of Supply(a)	2000	2001	2002	2003	2004	2005
<b>Transco</b>						
FT (1)	89.3	103.8	157.4	157.4	157.4	157.4
FB	68.1	53.6	0	0	0	0
PSFT	1.9	1.9	1.9	1.9	1.9	1.9
B-2 (2)	4.4	4.4	4.4	4.4	4.4	4.4
GSS (2)	52.3	52.3	52.3	52.3	52.3	52.3
WSS (3)	19.4	19.4	19.4	19.4	19.4	19.4
ESS (3)	10.2	10.2	10.2	10.2	10.2	10.2
<b>Total Transco</b>	<b>216</b>	<b>216</b>	<b>216</b>	<b>216</b>	<b>216</b>	<b>216</b>
<b>Texas Eastern</b>						
CS	72.8	72.8	72.8	72.8	72.8	72.8
FT-1	58.1	58.1	58.1	58.1	58.1	58.1
SS-1	63.1	63.1	63.1	63.1	63.1	63.1
CNG/FTS-7 (2)	6.6	6.6	6.6	6.6	6.6	6.6
CNG/FTS-8 (2)	21.8	21.8	21.8	21.8	21.8	21.8
Equitable/FTS-2 (4)	4.9	4.9	4.9	4.9	4.9	4.9
ANR (3)	12.9	12.9	12.9	12.9	12.9	12.9
<b>Total Texas Eastern</b>	<b>227.3</b>	<b>227.3</b>	<b>227.3</b>	<b>227.3</b>	<b>227.3</b>	<b>227.3</b>
<b>Sub-Total Pipelines</b>	<b>443.3</b>	<b>443.3</b>	<b>443.3</b>	<b>443.3</b>	<b>443.3</b>	<b>443.3</b>
<b>Supplemental Gas LNG</b>	<b>540.0</b>	<b>540.0</b>	<b>540.0</b>	<b>540.0</b>	<b>540.0</b>	<b>540.0</b>
<b>Total Peak Day Supply</b>	<b>983.3</b>	<b>983.3</b>	<b>983.3</b>	<b>983.3</b>	<b>983.3</b>	<b>983.3</b>
<b>Total Peak Hour Supply</b>	<b>41.0</b>	<b>41.0</b>	<b>41.0</b>	<b>41.0</b>	<b>41.0</b>	<b>41.0</b>

**Notes:**

<b>Firm Peak Day Demand</b>	<b>773.0</b>	<b>778.7</b>	<b>783.9</b>	<b>789.1</b>	<b>794.3</b>	<b>799.4</b>
<b>Firm Peak Hour Demand</b>	<b>37.5</b>	<b>37.8</b>	<b>38.0</b>	<b>38.3</b>	<b>38.5</b>	<b>38.8</b>

**Footnotes:**

- (1) Reflects 3,000dt of Transco capacity released in lieu of South Jersey Deal
- (2) Reflects 87.5 % contract limitation on maximum monthly storage withdrawal
- (3) These services do not contain transport components and are therefore not included in totals.
- (4) Equitable storage MDWQ = 4,998dth; Tetco FTS-2 has MDQ = 5,394dth

TABLE 9

PROPOSED CAPITAL IMPROVEMENT PROGRAM  
(\$000)

Category	1999(4)	2000	2001	2002	2003	2004	2005	Total \$	Total %
Gas Processing	\$2,435	\$14,539	\$2,814	\$3,550	\$9,214	\$17,330	\$1,054	\$50,936	13.6%
Distribution	25,717	26,237	30,953	31,536	32,141	32,751	33,374	\$212,709	56.6%
Field Services	8,240	7,242	5,071	5,066	4,593	4,684	9,322	\$44,218	11.8%
Transportation	2,316	4,372	4,811	4,993	5,137	5,286	5,437	\$32,352	8.6%
Other	11,105	8,466	4,965	4,180	3,460	1,669	1,479	\$35,324	9.4%
	\$49,813	\$60,856	\$48,614	\$49,325	\$54,545	\$61,720	\$50,666	\$375,539	100%
Less:									
Reimbursements(1)	(4,057)	(802)	(817)	(833)	(849)	(865)	(881)	(9,104)	-2.5%
Contributions(2)	(119)	(121)	(121)	(124)	(127)	(130)	(133)	(875)	-0.2%
Salvage(3)	(39)	(313)	(452)	(465)	(478)	(491)	(504)	(2,742)	-0.8%
	(\$4,215)	(\$1,236)	(\$1,390)	(\$1,422)	(\$1,454)	(\$1,486)	(\$1,518)	(\$12,721)	-3.5%
<b>Total:</b>	<b>\$45,598</b>	<b>\$59,620</b>	<b>\$47,224</b>	<b>\$47,903</b>	<b>\$53,091</b>	<b>\$60,234</b>	<b>\$49,148</b>	<b>\$362,818</b>	

## Notes:

- (1) Funds available from government agencies.
- (2) Customer contributions in aid of construction.
- (3) Funds received from sale of scrap metals, used vehicles, equipment, etc.
- (4) 1999 Program Year reflects Recommended Decision by Gas Commission Hearing Examiner.

**TABLE 10**  
**PHILADELPHIA GAS WORKS**  
**MAJOR CAPITAL BUDGET ITEMS**

CODE	DESCRIPTION	PRIORITY	DEPT.	2000 AMOUNT	% OF BUDGET	1999 AMOUNT	% OF BUDGET	AMOUNT DIFFERENCE	PERCENT DIFFERENCE
53-02-2-01	Phase I- LNG Liquefaction Plant	2	Gas Processing	14,185	23.3%	1,886	3.8%	12,299	652.1%
	SUBTOTAL GAS PROCESSING			14,185	23.3%	1,886	3.8%	12,299	652.1%
52-21-1-01	Low/Inter Pressure 8" Smaller Additions	4	Distribution	1,252	2.1%	1,152	2.3%	100	8.7%
52-21-2-01	Low/Inter Pressure 8" Enforced	3	Distribution	3,729	6.1%	3,729	7.5%	-	0.0%
52-21-2-01	Prudent Replacement	1	Distribution	3,235	5.3%	1,741	3.5%	1,494	85.8%
52-22-2-02	Market-Frankford Construction Project	3	Distribution	-	0.0%	3,716	7.5%	(3,716)	-100.0%
52-24-1-01	New 1-1/4" and Smaller Services	4	Distribution	2,185	3.6%	2,187	4.4%	(2)	-0.1%
52-24-1-02	New 2" and Larger Services	4	Distribution	1,400	2.3%	1,100	2.2%	300	27.3%
52-24-2-01	Renewal of 1-1/4" and Smaller Services	1	Distribution	9,623	15.8%	9,046	18.2%	577	6.4%
	SUBTOTAL DISTRIBUTION			21,424	35.2%	22,671	45.5%	(1,247)	-5.5%
50-30-1-01	Purchase and Installation of Meter - additions	4	Field Services	1,842	3.0%	542	1.1%	1,300	239.9%
50-30-2-01	Meter Purchases to support AMR	1	Field Services	1,255	2.1%	890	1.8%	365	41.0%
50-36-1-01	Purchase/Installation of ERT for AMR	5	Field Services	1,836	3.0%	6,164	12.4%	(4,328)	-70.2%
50-36-2-01	Replace AMR Units	5	Field Services	827	1.4%	360	0.7%	467	129.7%
	SUBTOTAL FIELD SERVICES			5,760	9.5%	7,956	16.0%	(2,196)	-27.6%
73-01-2-02	Vehicle Replacement	2	Transportation	3,436	5.6%	1,841	3.7%	1,595	86.6%
	SUBTOTAL TRANSPORTATION			3,436	5.6%	1,841	3.7%	1,595	86.6%
47-01-1-06	Y2K Contingency	5	Info Tech	-	0.0%	1,016	2.0%	(1,016)	-100.0%
47-01-2-01	System Services	5	Info Tech	-	0.0%	1,948	3.9%	(1,948)	-100.0%
47-01-2-02	Replace PBX	2	Info Tech	-	0.0%	2,760	5.5%	(2,760)	-100.0%
47-01-2-04	Network Services	5	Info Tech	-	0.0%	1,249	2.5%	(1,249)	-100.0%
09-01-2-01	Replace SCADA	5	Gas Control	-	0.0%	999	2.0%	(999)	-100.0%
40-01-1-01	Enhance Financial System	5	Finance	-	0.0%	900	1.8%	(900)	-100.0%
71-01-2-01	Replace Material and Purchasing System	2	Material Mgt	1,269	2.1%	-	0.0%	1,269	#DIV/0!
10-01-1-02	Implement Customer Contact Tracking System	5	Customer Serv	600	1.0%	-	0.0%	600	#DIV/0!
71-01-2-01	Enhance Customer Information System	5	Customer Serv	402	0.7%	-	0.0%	402	#DIV/0!
72-01-1-04	Construct CNG Refueling Station	5	Build Serv	550	0.9%	-	0.0%	550	#DIV/0!
72-01-2-09	Upgrade CS Centers	5	Customer Serv	525	0.9%	-	0.0%	525	#DIV/0!
	SUBTOTAL OTHER DEPARTMENTS			3,346	5.5%	8,872	17.8%	(5,526)	-62.3%
	<b>TOTAL MAJOR PROJECTS</b>			<b>48,151</b>	<b>79.1%</b>	<b>43,226</b>	<b>88.8%</b>	<b>4,925</b>	<b>11.4%</b>
	<b>ALL BUDGETED PROJECTS</b>			<b>60,856</b>	<b>100.0%</b>	<b>49,813</b>	<b>100.0%</b>	<b>11,043</b>	<b>22.2%</b>

Note: All values are prior to reimbursements, contributions, and salvage.

**TABLE 11**

**PHILADELPHIA GAS WORKS BENCHMARK FOR  
RETURNED CHECK CHARGES MAINTAINED BY GAS DISTRIBUTION UTILITIES  
(SURVEY OF 1995)**

	COMPANY	PRIMARY CITY	CHARGE	
			(3)	<== PGW'96(3)
1	National Fuel Gas	Buffalo/Erie	\$20.00	
2	Atlanta Gas Light	Atlanta	\$20.00	
			(2)	<== PGW'96(2)
3	Public Service Electric & Gas	Newark	\$15.00	
4	Baltimore Gas & Electric	Baltimore	\$15.00	
5	Delmarva	Wilmington	\$15.00	
6	Boston Gas	Boston	\$15.00	
7	Washington Gas - VA	Washington	\$15.00	
8	Elizabethtown Gas	Union	\$15.00	
9	Dayton Power & Light	Dayton	\$15.00	
10	Cincinnati Gas & Electric	Cincinnati	\$13.50	
11	Peoples Gas Light & Coke	Chicago	\$10.00	
12	Wisconsin Gas	Milwaukee	\$10.00	
13	Washington Gas - DC	Washington	\$8.50	
14	Brooklyn Union	New York	\$8.50	
15	Connecticut Natural Gas	Hartford	\$8.00	
16	Washington Gas - MD	Washington	\$8.00	
17	Minnegasco	Minneapolis	\$8.00	<== PGW'96(1)
18	Southern Connecticut Gas	New Haven/Bridgeport	\$8.00	
19	Rochester Gas & Electric	Rochester	\$7.50	
20	Southern California Gas	Los Angeles	\$7.50	
21	Pacific Gas & Electric	San Francisco	\$5.00	
22	MichCon	Detroit	\$5.00	<== PGW'95

OF 22 COMPANIES WHICH HAVE SUCH A CHARGE

HIGHEST:		\$20.00
MODE: ( 7 occurrences )	Most Frequent:	\$15.00
MEAN:	Simple Average:	\$11.48
MEDIAN:	Middle of List:	\$10.00
LOWEST:		\$5.00

Philadelphia Gas Works: re. 1995 \$5.00

Philadelphia Gas Works: re. 1996 \$8.00 first (1)  
 ( for occurrences within a 24 month period ) \$18.00 second (2)  
 \$34.00 third (3)

20  
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TABLE 12

PHILADELPHIA GAS WORKS BENCHMARK FOR  
CUSTOMER SERVICE CALL CHARGES MAINTAINED BY GAS DISTRIBUTION UTILITIES  
(Weekday, Normal Hours, Hourly Average Charge, not including parts)  
( SURVEY OF 1995 )

	COMPANY	PRIMARY CITY	CHARGE	
1	Atlanta Gas Light	Atlanta	\$100.00	
2	Minnegasco	Minneapolis	\$90.00	
3	MichCon	Detroit	\$88.00	<== PGW'96
4	Wisconsin Gas	Milwaukee	\$82.00	commercial (3)
5	Peoples Natural Gas	Pittsburgh	\$80.50	
6	Elizabethtown Gas	Union	\$80.00	
7	Delmarva	Wilmington	\$78.00	
8	Baltimore Gas & Electric	Baltimore	\$78.00	
9	Consolidated Edison	New York	\$72.00	
10	Providence Gas	Providence	\$70.00	
11	Rochester Gas & Electric	Rochester	\$67.00	
12	Boston Gas	Boston	\$63.00	
13	Southern Connecticut Gas	New Haven/Bridgeport	\$54.00	<== PGW'96
14	Peoples Gas Light & Coke	Chicago	\$53.00	residential (2)
15	Connecticut Natural Gas	Hartford	\$53.00	
16	Washington Natural Gas	Seattle	\$53.00	
17	National Fuel Gas	Buffalo/Erie	\$41.00	
			\$30.00	<== PGW'95 (1)

OF 17 COMPANIES WHICH PROVIDE SERVICE AND CHARGE CUSTOMER

HIGHEST:		\$100.00
MEDIAN:	Middle of List:	\$72.00
MEAN:	Simple Average:	\$70.74
MODE: ( 3 occurrences )	Most Frequent:	\$53.00
LOWEST:		\$41.00

Philadelphia Gas Works:	re. 1995	\$30.00	(1)
Philadelphia Gas Works:	re. 1996	\$53.33 - \$66.67	Residential (2)
		\$80.00 - \$110.0	Commercial (3)

TABLE 13

PHILADELPHIA GAS WORKS BENCHMARK FOR  
FIELD COLLECTION CHARGES MAINTAINED BY GAS DISTRIBUTION UTILITIES  
( Residential, Weekday, Normal Hours )  
( SURVEY OF 1995 )

	COMPANY	PRIMARY CITY	CHARGE	
1	Delmarva	Wilmington	\$15.00	
2	Baltimore Gas & Electric	Baltimore	\$15.00	
3	Elizabethtown Gas	Union	\$15.00	
4	Consolidated Edison	New York	\$11.00	
5	Pacific Gas & Electric	San Francisco	\$10.00	<== PGW'96 (2)
6	Washington Gas - MD	Washington	\$8.50	
7	Washington Gas - DC	Washington	\$7.00	
			N.C.	<== PGW'95 (1)

OF 7 COMPANIES WHICH CHARGE FOR FIELD COLLECTION

HIGHEST:		\$15.00
MODE: ( 3 occurrences )	Most Frequent	\$15.00
MEAN:	Simple Average:	\$11.64
MEDIAN:	Middle of List:	\$11.00
LOWEST:		\$7.00

Philadelphia Gas Works:	re. 1995	No Charge	(1)
Philadelphia Gas Works:	re. 1996	\$10.00	(2)

**TABLE 14**  
**PHILADELPHIA GAS WORKS**  
**PGW LIHEAP PARTICIPATION**

	Fiscal 96 Actual		Fiscal 97 Actual		Fiscal 98 Actual		Fiscal 99 Forecast	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
<b>Initial Money Available For Grants</b>	\$51,267,542		\$63,183,961		\$ 62,698,318		\$59,100,000	
Cash	\$34,094,179	66.5%	\$50,344,451	79.7%	\$ 49,116,706	78.3%	\$53,786,350	91.0%
Crisis	\$17,173,363	33.5%	\$12,839,510	20.3%	\$ 13,581,612	21.7%	\$ 5,313,650	9.0%
<b>Number Of Grants</b>								
<b>State of PA</b>								
Cash	244,461		234,521	78.7%	231,694	78.2%	225,259	91.4%
Crisis	70,703		63,310	21.3%	64,674	21.8%	21,255	8.6%
<b>Total State of PA</b>	315,164		297,831	100.0%	296,368	100.0%	246,514	100.0%
<b>PGW</b>								
PGW-Cash	46,606	19.1%	47,966	20.5%	48,105	21.3%	45,052	20.0%
PGW-Crisis	6,361	9.0%	7,600	12.0%	12,140	18.8%	3,930	16.8%
<b>Total PGW</b>	52,967	16.8%	55,566	18.7%	61,245	20.7%	49,042	19.9%
<b>CRP vs. Non-CRP</b>								
Cash - CRP	27,184	58.3%	28,780	60.0%	28,934	58.9%	23,877	53.0%
Cash - Non-CRP	19,422	41.7%	19,186	40.0%	20,171	41.1%	21,174	47.0%
Crisis - CRP	3,356	52.8%	4,010	52.8%	6,545	53.9%	2,151	53.9%
Crisis - Non-CRP	3,005	47.2%	3,590	47.2%	5,595	46.1%	1,839	46.1%
<b>Value Of Grants</b>								
<b>State of PA</b>								
Cash	\$ 140		\$ 215		\$ 201		\$ 213	
Crisis	\$ 243		\$ 278		\$ 250		\$ 250	
<b>PGW</b>								
PGW-Cash	\$ 121	66.7%	\$ 209	97.0%	\$ 199	99.1%	\$ 213	100.0%
PGW-Crisis	\$ 302	124.3%	\$ 250	89.8%	\$ 249	99.8%	\$ 249	90.0%
<b>Total Funding - Final</b>								
<b>State of PA</b>								
Cash	\$34,124,311		\$50,422,015		\$ 46,570,494		\$47,980,167	
Crisis	\$17,173,052		\$17,629,303		\$ 16,168,500		\$ 5,313,650	
<b>Total State of PA</b>	\$51,297,363		\$68,051,318		\$ 62,738,994		\$53,293,817	
<b>PGW</b>								
PGW-Cash	\$ 5,639,326	16.5%	\$10,000,911	19.8%	\$ 9,778,573	21.0%	\$ 9,599,033	20.0%
PGW-Crisis	\$ 1,921,022	11.2%	\$ 1,900,000	10.8%	\$ 3,027,837	18.7%	\$ 3,333,439	18.7%
<b>Total</b>	\$ 7,560,348	14.7%	\$11,900,911	17.5%	\$ 12,806,411	20.4%	\$10,589,472	18.9%

Does not include Supplemental Benefit of \$6.5 million

TABLE 15 A

**PHILADELPHIA GAS WORKS  
COVERAGE OF DEBT SERVICE FROM OPERATIONS**

Sixteenth Series Bonds and Second Series Bonds Issued

	<u>Fiscal Years Ended August 31,</u>						
	<u>Current (a)</u>	<u>Budget</u>	<u>Forecast</u>	<u>Forecast</u>	<u>Forecast</u>	<u>Forecast</u>	<u>Forecast</u>
	<u>Estimate</u> <u>1998-99</u>	<u>1999-2000</u>	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03 (b)</u>	<u>2003-04</u>	<u>2004-05</u>
Funds Available For Debt Service Calculation (Exhibit V)	\$94,573	\$115,742	\$118,351	\$137,182	\$142,907	\$144,248	\$146,779
<u>1975 Ordinance Bonds</u>							
Debt Service Bonds	\$57,741	\$59,330	\$51,402	\$55,312	\$47,442	\$50,056	\$44,052
Debt Service Coverage	1.64	1.95	2.30	2.48	3.01	2.88	3.33
Net Available After Prior Debt Service	\$36,832	\$56,412	\$66,949	\$81,870	\$95,465	\$94,192	\$102,727
<u>Capital Lease for Building</u>							
Other Capital Leases	7,882	7,991	7,977	5,953	3,997	3,998	1,999
Total	\$7,882	\$7,991	\$7,977	\$5,953	\$3,997	\$3,998	\$1,999
Net Available After Capital Leases	\$28,950	\$48,421	\$58,972	\$75,917	\$91,468	\$90,194	\$100,728
<u>1998 Ordinance Senior Bonds</u>							
Debt Service Existing	\$15,097	14,128	\$22,047	\$16,711	\$22,646	\$17,371	\$21,495
Debt Service Proposed	0	7,565	7,181	7,123	7,121	11,998	12,934
Total	\$15,097	\$21,693	\$29,228	\$23,834	\$29,767	\$29,369	\$34,429
Debt Service Coverage	1.92	2.23	2.02	3.19	3.07	3.07	2.93
Net Available after Debt Service on Sr. Bonds	\$13,853	\$26,728	\$29,744	\$52,083	\$61,701	\$60,825	\$66,299
<u>1998 Ordinance Subordinate Bonds</u>							
Debt Service	\$2,053	\$1,986	\$1,991	\$1,985	\$1,989	\$1,989	\$1,987
Debt Service Coverage	6.75	13.46	14.94	26.24	31.02	30.58	33.37

(a) Current Estimate is based on six months actual data and six months projections based upon currently available information.

(b) Assumes tax-exempt interest rate of 6.5% for Senior new money issue under the 1998 Gen'l. Ordinance in 2003 (\$75.0 million).

**TABLE 15 B**

**PHILADELPHIA GAS WORKS**  
**COVERAGE OF DEBT SERVICE FROM OPERATIONS**

Only Second Series Bonds Issued

	<u>Fiscal Years Ended August 31,</u>						
	<u>Current (a)</u> <u>Estimate</u> <u>1998-99</u>	<u>Budget</u> <u>1999-2000</u>	<u>Forecast</u> <u>2000-01</u>	<u>Forecast</u> <u>2001-02</u>	<u>Forecast</u> <u>2002-03 (b)</u>	<u>Forecast</u> <u>2003-04</u>	<u>Forecast</u> <u>2004-05</u>
Funds Available For Debt Service Calculation (Exhibit V)	\$94,573	\$115,742	\$118,351	\$137,182	\$142,907	\$144,248	\$146,779
<b><u>1975 Ordinance Bonds</u></b>							
Debt Service Bonds	\$59,847	\$59,849	\$51,918	\$55,830	\$47,961	\$50,570	\$44,569
Debt Service Coverage	1.58	1.93	2.28	2.46	2.98	2.85	3.29
Net Available After Prior Debt Service	\$34,726	\$55,893	\$66,433	\$81,352	\$94,946	\$93,678	\$102,210
<b>Capital Lease for Building</b>							
Other Capital Leases	7,882	7,991	7,977	5,953	3,997	3,998	1,999
Total	\$7,882	\$7,991	\$7,977	\$5,953	\$3,997	\$3,998	\$1,999
Net Available After Capital Leases	\$26,844	\$47,902	\$58,456	\$75,399	\$90,949	\$89,680	\$100,211
<b><u>1998 Ordinance Senior Bonds</u></b>							
Debt Service Existing	\$15,097	14,128	\$22,047	\$16,711	\$22,646	\$17,371	\$21,495
Debt Service Proposed	0	7,565	7,181	7,123	7,121	11,998	12,934
Total	\$15,097	\$21,693	\$29,228	\$23,834	\$29,767	\$29,369	\$34,429
Debt Service Coverage	1.78	2.21	2.00	3.16	3.06	3.05	2.91
Net Available after Debt Service on Sr. Bonds	\$11,747	\$26,209	\$29,228	\$51,565	\$61,182	\$60,311	\$65,782
<b><u>1998 Ordinance Subordinate Bonds</u></b>							
Debt Service	\$2,053	\$1,986	\$1,991	\$1,985	\$1,989	\$1,989	\$1,987
Debt Service Coverage	5.72	13.20	14.68	25.98	30.76	30.32	33.11

(a) Current Estimate is based on six months actual data and six months projections based upon currently available information.

(b) Assumes tax-exempt interest rate of 6.5% for Senior new money issue under the 1998 Gen'l. Ordinance in 2003 (\$75.0 million).

**TABLE 15 C**

**PHILADELPHIA GAS WORKS  
COVERAGE OF DEBT SERVICE FROM OPERATIONS**

Only Sixteenth Series Bonds Issued  
(Assumed issuance of bonds to finance capital projects in FY 2000)

	<u>Fiscal Years Ended August 31,</u>						
	<u>Current (a)</u>						
	<u>Estimate</u> <u>1998-99</u>	<u>Budget</u> <u>1999-2000</u>	<u>Forecast</u> <u>2000-01</u>	<u>Forecast</u> <u>2001-02</u>	<u>Forecast</u> <u>2002-03 (b)</u>	<u>Forecast</u> <u>2003-04</u>	<u>Forecast</u> <u>2004-05</u>
<b>Funds Available For Debt Service Calculation (Exhibit V)</b>	\$93,643	\$111,391	\$118,357	\$137,187	\$142,907	\$144,248	\$146,779
<b><u>1975 Ordinance Bonds</u></b>							
Debt Service Bonds	\$57,741	\$59,330	\$51,402	\$55,312	\$47,442	\$50,056	\$44,052
Debt Service Coverage	1.62	1.88	2.30	2.48	3.01	2.88	3.33
Net Available After Prior Debt Service	\$35,902	\$52,061	\$66,955	\$81,875	\$95,465	\$94,192	\$102,727
<b>Capital Lease for Building</b>							
Other Capital Leases	7,882	7,991	7,977	5,953	3,997	3,998	1,999
Total	\$7,882	\$7,991	\$7,977	\$5,953	\$3,997	\$3,998	\$1,999
Net Available After Capital Leases	\$28,020	\$44,070	\$58,978	\$75,922	\$91,468	\$90,194	\$100,728
<b><u>1998 Ordinance Senior Bonds</u></b>							
Debt Service Existing	\$15,097	14,128	\$29,612	\$23,832	\$29,769	\$24,492	\$28,618
Debt Service Proposed	0	0	0	0	0	4,875	5,815
Total	\$15,097	\$14,128	\$29,612	\$23,832	\$29,769	\$29,367	\$34,433
Debt Service Coverage	1.86	3.12	1.99	3.19	3.07	3.07	2.93
Net Available after Debt Service on Sr. Bonds	\$12,923	\$29,942	\$29,366	\$52,090	\$61,699	\$60,827	\$66,295
<b><u>1998 Ordinance Subordinate Bonds</u></b>							
Debt Service	\$2,053	\$1,986	\$1,991	\$1,985	\$1,989	\$1,989	\$1,987
Debt Service Coverage	6.29	15.08	14.75	26.24	31.02	30.58	33.36

(a) Current Estimate is based on six months actual data and six months projections based upon currently available information.

(b) Assumes tax-exempt interest rate of 6.5% for Senior new money issue under the 1998 Gen'l. Ordinance in 2003 (\$75.0 million).

**TABLE 18**  
**PHILADELPHIA GAS WORKS**  
**SOURCES AND USES OF CASH FOR**  
**CAPITAL IMPROVEMENT EXPENDITURES**  
**FISCAL YEARS 1994 THROUGH 2005**  
(000's)

	A C T U A L					Budget 1999	Current Estimate 1999	Budget 2000	2001	F O R E C A S T				
	1994	1995	1996	1997	1998					2002	2003	2004	2005	
<b>Sources:</b>														
Bond Proceeds @ Par	\$183,880	\$0	\$0	\$0	\$103,550	\$0	\$109,170	\$0	\$0	\$0	\$75,000	\$0	\$0	
Proceeds From Capital														
Leasing	0		20,100	23,000										
PGW Internally Generated														
Funds	27	9,568	24,306	47,081	21,483	25,701	26,277	12,026	6,527	22,929	27,572	33,520	34,697	
<b>Total Sources</b>	<b>\$183,907</b>	<b>\$9,568</b>	<b>\$44,406</b>	<b>\$70,081</b>	<b>\$125,033</b>	<b>\$25,701</b>	<b>\$135,447</b>	<b>\$12,026</b>	<b>\$6,527</b>	<b>\$22,929</b>	<b>\$102,572</b>	<b>\$33,520</b>	<b>\$34,697</b>	
<b>USES:</b>														
Changes in Capital														
Improvement Fund	\$18,303	(\$43,061)	(\$905)	\$17,410	\$43,576	(\$47,500)	\$50,000	(\$45,307)	(\$45,000)	(\$24,906)	\$41,560	(\$26,000)	(\$15,560)	
Discount & Issuance Exp.	7,553		202	169	5,795		2,049				2,625			
Deposit to Sinking Fund	(28)				5,165		7,121				5,815			
Funds Deposited in Escro	105,512													
Capital Expenditures	52,567	52,629	45,109	52,502	70,497	73,201	76,277	57,333	51,527	47,835	52,572	59,520	50,257	
<b>Total Uses</b>	<b>\$183,907</b>	<b>\$9,568</b>	<b>\$44,406</b>	<b>\$70,081</b>	<b>\$125,033</b>	<b>\$25,701</b>	<b>\$135,447</b>	<b>\$12,026</b>	<b>\$6,527</b>	<b>\$22,929</b>	<b>\$102,572</b>	<b>\$33,520</b>	<b>\$34,697</b>	
<b>Capital Improvement Fund</b>														
Deposit	\$70,843	\$0	\$19,898	\$22,831	\$92,590	\$0	\$100,000	\$0	\$0	\$0	\$66,560	\$0	\$0	
Drawdown	(52,540)	(43,061)	(20,803)	(5,421)	(49,014)	(47,500)	(50,000)	(45,307)	(45,000)	(24,906)	(25,000)	(26,000)	(15,560)	
Changes in Fund	\$18,303	(\$43,061)	(\$905)	\$17,410	\$43,576	(\$47,500)	\$50,000	(\$45,307)	(\$45,000)	(\$24,906)	\$41,560	(\$26,000)	(\$15,560)	
<b>Balance End of Period</b>	<b>\$48,193</b>	<b>\$5,132</b>	<b>\$4,227</b>	<b>\$21,637</b>	<b>\$65,213</b>	<b>\$17,713</b>	<b>\$115,213</b>	<b>\$69,906</b>	<b>\$24,906</b>	<b>\$0</b>	<b>\$41,560</b>	<b>\$15,560</b>	<b>\$0</b>	

**TABLE 17**  
**PHILADELPHIA GAS WORKS**  
**ACCOUNTS RECEIVABLE, RESERVE FOR BAD DEBT,**  
**WRITE-OFF EXPENSES, DELINQUENT CUSTOMERS,**  
**AND REVENUE STATISTICS**  
**(\$000)**

	<u>Fiscal Years Ended August 31,</u>					
	<u>Actual</u> <u>1993</u>	<u>Actual</u> <u>1994</u>	<u>Actual</u> <u>1995</u>	<u>Actual</u> <u>1996</u>	<u>Actual</u> <u>1997</u>	<u>Actual</u> <u>1998</u>
Billed Gas Revenues	\$526,723	\$554,212	\$477,601	\$539,119	\$548,455	\$497,985
Accounts Receivable	132,574	171,730	140,002	143,303	132,560	110,790
Reserve for Bad Debt	54,565	73,772	79,195	83,214	77,100	64,724
Reserve as a Percentage of Accounts Receivable	41.2%	43.0%	56.6%	58.1%	58.2%	58.4%
Write-Off Expenses	28,355	23,927	37,518	33,975	39,149	45,973
Receivables as a Percentage of Sales Revenues	25.2%	31.0%	29.3%	26.6%	24.2%	22.2%
Delinquent Customers ( Annual Average )	145,092	143,613	112,712	119,806	120,901	117,394

**TABLE 18**  
**PHILADELPHIA GAS WORKS**  
**FORECAST OF ACCOUNTS RECEIVABLE, RESERVE**  
**FOR BAD DEBT, WRITE-OFF EXPENSES,**  
**AND REVENUE STATISTICS**  
**(\$000)**

	<u>Current</u>	<u>Budget</u>	<u>Forecast</u>	<u>Fiscal Years Ended August 31,</u>			
	<u>Estimate</u>			<u>Forecast</u>	<u>Forecast</u>	<u>Forecast</u>	<u>Forecast</u>
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002*</u>	<u>2003*</u>	<u>2004*</u>	<u>2005*</u>
Billed Gas Revenues	\$484,372	\$501,453	\$514,146	\$544,560	\$555,256	\$567,861	\$552,921
Accounts Receivable	76,816	75,390	76,812	80,171	83,664	87,390	90,261
Reserve for Bad Debt	57,830	50,830	46,250	43,413	41,869	41,703	42,600
Reserve as a Percentage of Accounts Receivable	75.3%	67.4%	60.2%	54.2%	50.0%	47.7%	47.2%
Write-Off Expenses	36,769	35,000	33,000	32,500	32,500	32,500	32,500
Receivables as a Percentage of Sales Revenues	15.9%	15.0%	14.9%	14.7%	15.1%	15.4%	16.3%

\* The forecast envisions an increase in the amount of \$20 million of revenue enhancement in 2002 from either a general rate increase or from equivalent savings in operating expenses or from a combination of both.

EXHIBIT I  
**PHILADELPHIA GAS WORKS**  
**SELECTED OPERATING STATISTICS**

Fiscal Data	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>
Number of Customers	518,143	519,206	522,834	519,824	523,505	517,951	517,092	514,966	511,337	512,289
Miles of Distribution Mains	3,031	3,014	3,008	3,014	3,021	3,017	3,015	3,023	3,021	3,022
Utility Plant (\$000) (1)	840,248	892,970	940,267	987,437	1,031,592	1,077,975	1,124,757	1,156,201	1,203,720	1,271,131
Total Gas Sales (MMcf) (2)	72,533	71,723	69,349	75,771	78,202	77,435	74,217	80,309	72,191	71,546
<b>Operating Revenues (\$000)</b>										
Heating	\$379,873	\$376,006	\$356,150	\$393,336	\$422,998	\$472,326	\$385,545	\$475,956	\$450,240	\$406,826
Non-Heating	87,607	90,245	98,347	86,494	95,416	88,895	85,678	91,146	90,451	81,513
Gas Transportation	0	0	460	2,354	621	380	1,307	1,108	1,441	2,258
Other Operating Revenues	5,426	5,921	6,615	8,030	7,942	12,318	6,420	7,838	8,838	7,098
Total Operating Revenues	<u>\$472,706</u>	<u>\$472,172</u>	<u>\$461,572</u>	<u>\$490,214</u>	<u>\$526,977</u>	<u>\$573,919</u>	<u>\$478,950</u>	<u>\$576,048</u>	<u>\$550,970</u>	<u>\$497,695</u>
Other Income	12,858	11,880	12,636	10,238	11,203	6,989	29,293	7,667	7,514	5,370
<b>Operating Expenses (\$000)</b>										
Natural Gas & Raw Material	237,932	231,399	208,825	211,625	243,274	274,103	213,645	276,856	271,631	246,699
Gas Processing	24,565	24,353	21,939	21,494	21,458	21,822	18,645	14,846	14,238	13,582
Field Services	20,382	19,229	17,835	21,387	20,100	23,036	17,448	18,492	18,883	18,032
Distribution	16,244	20,588	18,519	19,422	20,674	25,003	19,561	22,817	20,454	16,500
Collection & Meter Reading (3)	32,383	37,241	42,963	41,498	44,613	58,718	60,315	54,549	46,778	48,922
Administrative & General	27,185	26,989	28,687	35,357	39,960	36,793	44,593	40,282	40,485	43,379
Other Operating Expenses (4)	60,612	56,676	58,115	59,262	60,665	66,206	53,016	70,833	70,615	68,520
Total Operating Expenses	<u>\$419,303</u>	<u>\$416,475</u>	<u>\$396,883</u>	<u>\$410,045</u>	<u>\$450,744</u>	<u>\$505,681</u>	<u>\$427,223</u>	<u>\$498,675</u>	<u>\$483,084</u>	<u>\$451,634</u>
Interest Expense	<u>47,736</u>	<u>49,007</u>	<u>52,871</u>	<u>55,555</u>	<u>53,967</u>	<u>55,516</u>	<u>55,746</u>	<u>53,736</u>	<u>51,429</u>	<u>50,456</u>
Net Income	<u>\$18,525</u>	<u>\$18,570</u>	<u>\$24,454</u>	<u>\$34,852</u>	<u>\$33,469</u>	<u>\$19,711</u>	<u>\$25,274</u>	<u>\$31,304</u>	<u>\$23,971</u>	<u>\$975</u>

(1) Gross Utility Plant at Original Cost

(2) Includes Gas Transportation in years 1991 through 1997

(3) Includes Appropriation for Bad Debt Expense

(4) Includes Customer Service, Customer Accounting, Marketing, Pensions, Taxes & Net Depreciation and Amortization.

**PHILADELPHIA GAS WORKS**  
**FORECAST STATEMENT OF INCOME**  
**FISCAL YEARS 1998 THROUGH 2005**  
(\$000)

With Customer Charge of \$8.00  
Effective 6/1/99 impacting FY 1999 Only.

	Fiscal Years Ended August 31,							
	Actual	Current	Budget	Forecast	Forecast	Forecast	Forecast	Forecast
	1998	Estimate(a) 1999	2000	2001	2002	2003	2004	2005
<b>Operating Revenues</b>								
Sales (Current Rates & Changes to GCR)	\$488,768	\$462,553	\$512,033	\$514,196	\$524,610	\$555,306	\$567,911	\$572,971
Projected Rate Increase - Current		3,966			20,000			
Appliance Repair & Other Revenues	14,111	14,009	13,924	13,724	14,136	14,560	14,997	15,447
Other Operating Revenues	8,927	8,484	8,550	8,484	8,986	9,163	9,371	9,454
<b>Total Operating Revenues</b>	<b>\$511,806</b>	<b>\$489,012</b>	<b>\$534,507</b>	<b>\$536,404</b>	<b>\$567,732</b>	<b>\$579,029</b>	<b>\$592,279</b>	<b>\$597,872</b>
<b>Operating Expenses</b>								
Natural Gas & Raw Material	\$246,699	\$224,104	\$245,440	\$245,265	\$253,103	\$259,839	\$268,323	\$267,596
Gas Processing	13,582	13,371	13,368	13,722	13,880	14,175	14,462	14,810
Other Operating & Maintenance (Exhibit III)	169,835	173,826	179,679	176,950	179,297	182,326	186,821	185,957
Operating Expenses Excl. Depreciation	\$430,116	\$411,301	\$438,487	\$435,937	\$446,280	\$456,340	\$469,606	\$468,363
Depreciation	35,391	29,838	30,498	31,394	32,265	33,104	34,084	38,846
<b>Total Operating Expenses</b>	<b>\$465,507</b>	<b>\$441,139</b>	<b>\$468,985</b>	<b>\$467,331</b>	<b>\$478,545</b>	<b>\$489,444</b>	<b>\$503,690</b>	<b>\$507,209</b>
<b>Net Operating Income</b>	<b>\$46,299</b>	<b>\$47,873</b>	<b>\$65,522</b>	<b>\$69,073</b>	<b>\$89,187</b>	<b>\$89,585</b>	<b>\$88,589</b>	<b>\$90,663</b>
Other Income	5,132	8,001	9,542	7,401	5,100	9,250	10,253	8,800
<b>Net Income Before Interest</b>	<b>\$51,431</b>	<b>\$55,874</b>	<b>\$75,064</b>	<b>\$76,474</b>	<b>\$94,287</b>	<b>\$98,835</b>	<b>\$98,842</b>	<b>\$99,463</b>
<b>Interest Expense</b>								
<b>Long-Term Debt Interest:</b>								
Revenue Bonds	\$39,730	\$41,761	\$46,898	\$44,554	\$42,535	\$43,125	\$43,178	\$41,847
PMA Bonds & Subordinate Debt	1,315	1,023	966	926	880	834	784	732
Capital Leases	1,982	1,655	1,298	913	559	364	170	8
Discount & Expenses	1,675	1,446	1,401	1,319	1,235	1,227	1,224	1,222
<b>Total Long-Term Interest</b>	<b>\$44,702</b>	<b>\$45,885</b>	<b>\$50,563</b>	<b>\$47,712</b>	<b>\$45,209</b>	<b>\$45,550</b>	<b>\$45,356</b>	<b>\$43,809</b>
<b>Other Interest</b>								
Short-Term Debt	\$2,992	\$2,477	\$3,209	\$3,294	\$3,379	\$2,965	\$3,050	\$3,135
Loss From Extinguishment of Debt	3,103	3,210	3,393	3,249	3,090	2,922	2,761	2,754
Interest on Customer Deposits	78	70	72	74	76	76	76	76
Miscellaneous	12	221	16	2				
<b>Total Other Interest</b>	<b>\$6,185</b>	<b>\$5,978</b>	<b>\$6,690</b>	<b>\$6,619</b>	<b>\$6,545</b>	<b>\$5,963</b>	<b>\$5,887</b>	<b>\$5,965</b>
AFUDC	(431)	(500)	(499)	(424)	(274)	(275)	(286)	(171)
<b>Total Interest Expense</b>	<b>\$50,456</b>	<b>\$51,363</b>	<b>\$56,754</b>	<b>\$53,907</b>	<b>\$51,480</b>	<b>\$51,238</b>	<b>\$50,957</b>	<b>\$49,603</b>
<b>Net Income</b>	<b>\$975</b>	<b>\$4,511</b>	<b>\$18,310</b>	<b>\$22,567</b>	<b>\$42,807</b>	<b>\$47,597</b>	<b>\$47,885</b>	<b>\$49,860</b>
Payment To City of Philadelphia	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000
<b>Net Earnings / ( Loss ) Transferred to Retained Earnings</b>	<b>(\$17,025)</b>	<b>(\$13,489)</b>	<b>\$310</b>	<b>\$4,567</b>	<b>\$24,807</b>	<b>\$29,597</b>	<b>\$29,885</b>	<b>\$31,860</b>

Note: (a) Current estimate is based on six months actual data and six months projections based upon currently available information.

## EXHIBIT III

**PHILADELPHIA GAS WORKS**  
**FORECAST OTHER OPERATING AND MAINTENANCE EXPENSES**  
**FISCAL YEARS 1998 THROUGH 2005**  
(\$000)

	<u>Fiscal Years Ended August 31,</u>							
	<u>Actual</u>	<u>Current</u>	<u>Budget</u>	<u>Forecast</u>	<u>Forecast</u>	<u>Forecast</u>	<u>Forecast</u>	
	<u>1998</u>	<u>Estimate</u>		<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>Forecast</u>
	<u>1999</u>	<u>2000</u>					<u>2005</u>	
<i>Other Operating &amp; Maintenance Expenses</i>								
Administrative & General	\$43,379	\$47,625	\$53,683	\$52,665	\$54,282	\$56,026	\$57,633	\$57,798
Appropriation to Reserve for Bad Debt	34,130	30,000	28,000	28,420	29,663	30,956	32,334	33,397
Field Services	28,010	29,007	29,620	30,013	30,390	30,770	31,355	32,001
Distribution	16,500	15,569	14,757	14,950	15,191	15,437	15,687	16,012
Collection	9,630	7,010	7,372	7,557	7,716	7,879	8,046	8,216
Meter Reading	3,627	5,543	4,889	4,961	5,063	5,167	5,273	5,380
Customer Service	12,826	11,452	12,363	12,690	12,951	13,217	13,489	13,767
Customer Accounting	6,577	7,767	8,737	8,935	9,120	9,309	9,502	9,699
Marketing & Point-of Sale Expenses	6,698	7,236	7,277	7,479	7,665	7,856	8,051	8,252
Pensions	3,334	782	1,060	1,331	1,597	1,868	2,137	2,412
Taxes	6,235	6,232	6,318	6,372	6,431	6,526	6,625	6,722
Amortization	(1,111)	5,603	5,603	5,603	4,715	3,750	3,750	-
Labor Cost Savings	-	-	-	(2,394)	(3,479)	(4,032)	(4,597)	(5,172)
Non-Labor Cost Savings	-	-	-	(1,632)	(2,008)	(2,403)	(2,464)	(2,527)
<b>Total Other Operating &amp; Maint. Expense</b>	<b>\$169,835</b>	<b>\$173,826</b>	<b>\$179,679</b>	<b>\$176,950</b>	<b>\$179,297</b>	<b>\$182,326</b>	<b>\$186,821</b>	<b>\$185,957</b>

## EXHIBIT IV

**PHILADELPHIA GAS WORKS**  
**CAPITAL EXPENDITURES**  
**FISCAL YEARS 1998 THROUGH 2005**  
(\$000)

	<u>Fiscal Years Ended August 31,</u>							
	<u>Actual</u>	<u>Current</u>	<u>Budget</u>	<u>Forecast</u>	<u>Forecast</u>	<u>Forecast</u>	<u>Forecast</u>	
	<u>1998</u>	<u>Estimate(a)</u> <u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
<b>Additions &amp; Replacements</b>								
Supply Plant	\$710	\$1,619	\$6,389	\$12,025	\$3,440	\$8,566	\$16,398	\$2,649
Distribution Plant	32,243	26,917	29,782	29,048	31,473	32,071	32,650	33,297
Field Services Plant	12,215	12,018	7,170	4,543	5,036	4,613	4,649	8,831
Other Plant	24,938	35,327	16,176	8,421	8,779	8,195	6,651	6,442
Sub-Total	\$70,106	\$75,881	\$59,517	\$54,037	\$48,728	\$53,445	\$60,348	\$51,219
Less: Contributions in Aid of Construction	(340)	(299)	(2,533)	(2,639)	(955)	(974)	(993)	(1,012)
Net Additions & Replacements	\$69,766	\$75,582	\$56,984	\$51,398	\$47,773	\$52,471	\$59,355	\$50,207
<b>Allowance for Funds Used During Construction</b>								
Supply Plant	\$42	52	76	79	36	81	120	33
Distribution	510	612	507	454	460	469	512	498
Field Services and Other Plant	64	99	48	34	30	28	23	22
Sub-Total	\$616	\$763	\$631	\$567	\$526	\$578	\$655	\$553
<b>Removal Costs ( Net )</b>								
Removal Costs	\$274	60	\$0	\$0	\$0	\$0	\$0	\$0
Salvage	(159)	(128)	(282)	(438)	(464)	(477)	(490)	(503)
Sub-Total	\$115	(\$68)	(\$282)	(\$438)	(\$464)	(\$477)	(\$490)	(\$503)
<b>Total</b>	<b>\$70,497</b>	<b>\$76,277</b>	<b>\$57,333</b>	<b>\$51,527</b>	<b>\$47,835</b>	<b>\$52,572</b>	<b>\$59,520</b>	<b>\$50,257</b>

## EXHIBIT V

**PHILADELPHIA GAS WORKS**  
**ANALYSIS OF INTERNALLY GENERATED FUNDS**  
**AVAILABLE TO COVER DEBT SERVICE**  
**FISCAL YEARS 1998 THROUGH 2005**

(\$000)

	Fiscal Years Ended August 31,							
	Actual 1998	Current Estimate 1999	Budget 2000	Forecast 2001	Forecast 2002	Forecast 2003	Forecast 2004	Forecast 2005
<b>Funds Provided:</b>								
Operating Revenues ( Exhibit II )	\$511,806	\$489,012	\$534,507	\$536,404	\$567,732	\$579,029	\$592,279	\$597,872
Other Income	5,406	8,270	9,542	7,401	5,100	9,250	10,253	8,800
AFUDC ( Interest )	432	500	499	424	274	275	286	171
Total Funds Provided	\$517,644	\$497,782	\$544,548	\$544,229	\$573,106	\$588,554	\$602,818	\$606,843
<b>Funds Applied To Operations:</b>								
Operating Expenses Excluding Depreciation ( Exhibit II )	\$430,116	\$411,301	\$438,487	\$435,937	\$446,280	\$456,340	\$469,606	\$468,363
Less: Expenses Not Requiring Expenditure of Funds	6,364	8,092	9,681	10,059	10,356	10,693	11,036	8,299
Total Funds Applied	\$423,752	\$403,209	\$428,806	\$425,878	\$435,924	\$445,647	\$458,570	\$460,064
<b>Internally Generated Funds Available To Cover Revenue Bond Debt Service</b>	\$93,892	\$94,573	\$115,742	\$118,351	\$137,182	\$142,907	\$144,248	\$146,779
<b>Funds Applied To Debt Service:</b>								
Revenue Bonds - Issued Under 1975 Ordinance	\$61,923	\$57,741	\$59,330	\$51,402	\$55,312	\$47,442	\$50,058	\$44,052
Revenue Bonds - Issued Under 1998 Ordinance								
Senior Bonds	-	15,097	14,128	22,047	16,711	22,646	17,371	21,495
Additional Senior Bonds	-	-	7,565	7,181	7,123	7,121	11,998	12,934
Subordinate Bonds	-	2,053	1,986	1,991	1,985	1,989	1,989	1,987
Total Revenue Bonds	\$61,923	\$74,891	\$83,009	\$82,621	\$81,131	\$79,198	\$81,414	\$80,468
Capital Lease for Building	2,242	-	-	-	-	-	-	-
Other Capital Leases	5,971	7,882	7,991	7,977	5,953	3,997	3,998	1,999
Temporary Financing	2,775	2,477	3,209	3,294	3,379	3,464	3,549	3,654
Total Funds Applied To Debt Service	\$72,911	\$85,250	\$94,209	\$93,892	\$90,463	\$86,659	\$88,961	\$86,121
<b>Internally Generated Funds Available For City Payment</b>	\$20,981	\$9,323	\$21,533	\$24,459	\$46,719	\$56,248	\$55,287	\$60,658
City Payment	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000
<b>Internally Generated Funds Available</b>	\$2,981	(\$8,677)	\$3,533	\$6,459	\$28,719	\$38,248	\$37,287	\$42,658
<b>Debt Service Coverage</b>								
Bonds Issued under 1975 Ordinance	1.52	1.64	1.95	2.30	2.48	3.01	2.88	3.33
Senior Bonds Issued under 1998 Ordinance	-	1.92	2.23	2.02	3.19	3.07	3.07	2.93
Subordinate Bonds Issued under 1998 Ordinance	-	6.75	13.46	14.94	26.24	31.02	30.58	33.37

**EXHIBIT VI**

**PHILADELPHIA GAS WORKS  
ANALYSIS OF CASH AND ANNUAL CASH BALANCES  
FISCAL YEARS 1998 THROUGH 2005**

(\$000)

	<u>Fiscal Years Ended August 31,</u>							
	<u>Actual</u> <u>1998</u>	<u>Estimate</u> <u>1999</u>	<u>Budget</u> <u>2000</u>	<u>Forecast</u> <u>2001</u>	<u>Forecast</u> <u>2002</u>	<u>Forecast</u> <u>2003</u>	<u>Forecast</u> <u>2004</u>	<u>Forecast</u> <u>2005</u>
<b>Beginning Cash Balance</b>	<b>\$1,284</b>	<b>\$9,883</b>	<b>\$8,151</b>	<b>\$7,445</b>	<b>\$5,605</b>	<b>\$6,832</b>	<b>\$13,321</b>	<b>\$13,538</b>
<b>Sources of Funds:</b>								
<b>Internally Generated:</b>								
Net Income ( Exhibit II )	\$975	\$4,511	\$18,310	\$22,567	\$42,807	\$47,597	\$47,885	\$49,860
Items in Net Income Not Requiring Funds	37,984	33,962	36,603	37,900	39,079	40,272	41,611	42,920
Interest Expenses Included in Net Income ( Exhibit II )	50,456	51,363	56,754	53,907	51,480	51,238	50,957	49,603
<b>Total Internal Funds</b>	<b>\$89,415</b>	<b>\$89,836</b>	<b>111,667</b>	<b>114,374</b>	<b>133,366</b>	<b>139,107</b>	<b>140,453</b>	<b>142,383</b>
<b>Externally Generated:</b>								
Revenue Bond Proceeds	\$92,590	\$100,000	-	-	-	\$66,560	-	-
Capital Improvement Fund Drawdown	49,014	50,000	45,307	45,000	24,906	25,000	26,000	15,560
Capital Lease Proceeds	-	-	-	-	-	-	-	-
Temporary Borrowings	26,000	9,000	20,000	-	-	-	-	-
<b>Total External Funds</b>	<b>\$167,604</b>	<b>\$159,000</b>	<b>\$65,307</b>	<b>\$45,000</b>	<b>24,906</b>	<b>91,560</b>	<b>26,000</b>	<b>15,560</b>
<b>Total Sources of Funds</b>	<b>\$257,019</b>	<b>\$248,836</b>	<b>\$176,974</b>	<b>\$159,374</b>	<b>\$158,272</b>	<b>\$230,667</b>	<b>\$166,453</b>	<b>\$157,943</b>
<b>Uses of Funds:</b>								
Debt Service Coverage ( Exhibit V )	\$61,923	\$72,838	\$81,023	\$80,630	\$79,146	\$77,209	\$79,425	\$78,481
PMA Bond Debt Service ( Exhibit V )	2,242	-	-	-	-	-	-	-
Capital Lease Debt Service	5,971	7,882	7,991	7,997	5,953	3,997	3,998	1,999
Subordinate Bonds ( Exhibit V )	-	2,053	1,986	1,991	1,985	1,989	1,989	1,987
Working Capital Increases	(2,803)	(26,482)	11,347	1,069	4,126	3,851	3,304	4,219
Construction Requirements	70,497	76,277	57,333	51,527	47,835	52,572	59,520	50,257
Payment to City of Philadelphia ( Exhibit II )	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000
Deposit of Capital Improvement Fund ( Table 1	92,590	100,000	-	-	-	66,560	-	-
Repayment of Temporary Borrowings	-	-	-	-	-	-	-	-
<b>Total Uses of Funds</b>	<b>\$248,420</b>	<b>\$250,568</b>	<b>\$177,680</b>	<b>\$161,214</b>	<b>\$157,045</b>	<b>\$224,178</b>	<b>\$166,236</b>	<b>\$154,943</b>
<b>Ending Cash Balance</b>	<b>\$9,883</b>	<b>\$8,151</b>	<b>\$7,445</b>	<b>\$5,605</b>	<b>\$6,832</b>	<b>\$13,321</b>	<b>\$13,538</b>	<b>\$16,538</b>

## APPENDIX

### A NOTE ON SALES/SUPPLY/DEMAND UNITS

Sales/supply/demand in this report are reported in volume or energy units. PGW purchases gas in energy units but, usually sells them in volume units because that is what gas meters measure. There is a fundamental relationship between the energy and volume units used for reporting purposes... - one cubic foot of gas (volume) equals approximately 1,030 Btu (energy). More complex measures evolve from this relationship as follows:

#### Energy Units

- Btu - British thermal unit - the amount of energy required to raise the temperature of one pound of water by one degree Fahrenheit.
- Therm - 100,000 Btu
- Dekatherm - 10 Therms (1,000,000 Btu)

#### Volume Units

- Scf - Standard cubic foot - the amount of gas contained in one cubic foot at 60 F and standard pressure of 14.73 pounds per square inch absolute (normal atmospheric pressure)
- Mcf - Thousand cubic feet, 1,000 Scf
- MMcf - Million cubic feet, 1,000 Mcf (1,000,000 Scf)
- Bcf - Billion cubic feet, 1,000 MMcf (1,000,000,000 Scf)

For the reader's ease in reading/understanding the report the following approximations may be useful:

- One Dekatherm equals one Mcf,
- One thousand Dekatherms equals one MMcf.

#### Heating Units

- HDD - Heating Degree Days
- HDH - Heating Degree Hours

**INTRODUCING**

## Stone & Webster Management Consultants, Inc.

**S**tone & Webster Management Consultants, Inc. provides practical responses to the challenges of today's volatile market and regulatory environment and changing operating conditions. We furnish management with tools, knowledge, and skills to respond effectively to problems in every facet of utility operations. For industrial clients and public and institutional entities, we provide a wide range of management consulting services.

### *A Management Resource*

Few other firms can equal Stone & Webster's breadth and depth of expertise. Our consulting staff comes from proven backgrounds in operating and management positions with utilities, oil companies, regulatory agencies, manufacturing concerns, banks, law firms, insurance companies, and public entities. They are proficient in planning, gas and electric utility operations, rates and regulation, marketing, information systems, human resource management, appraisal, accounting and finance, tax, and risk management. Stone & Webster's professional staff can provide the specialized knowledge needed for any utility assignment large or small.

Stone & Webster integrates experts and their services into a comprehensive management resource: a full spectrum of skills, industry experience, and knowledge that can be focused on discrete projects or problems, all-embracing studies, or continuing as-needed services. We believe in close involvement of key members of the client's management team to develop their sense of ownership and understanding of the project. Our services are tailored to each client's special requirements and in many cases Stone & Webster's own staff can take a project from feasibility studies through implementation.

**Quality • Service • Integrity**

## Service

Our services take many forms: verbal consultation, research or analysis, review or verification of work performed by others, expert testimony, and complete studies with written reports. A Stone & Webster report provides clear guides for management action and is often used as a communication and implementation tool. We provide a check of decisions, procedures, and programs that is independent and objective. Our testimony and reports provide the credible evidence necessary to confirm the prudence of decisions before regulators, stockholders, and boards of directors.

## Quality and Integrity

Stone & Webster's tradition of professional consultation reaches back to the nineteenth century and draws on state-of-the-art, comprehensive utility experience and resources. Year after year a significant portion of our assignments comes from repeat clients – clients who return to Stone & Webster because they have had first-hand experience with our record of unbiased work performed to the client's specifications, on time, within budget. We believe that the most convincing evidence of the quality, integrity, and value of our services is the confidence and loyalty of our repeat clients.

### General practice areas:

*General Management Consulting*

*Strategic Planning*

*Integrated Resource Planning*

*IRP Workstation*

*Models (EGEAS, RISKMIN, BENCHMARK)*

*Staffing Optimization & Organization Analysis*

*Second-Generation Benchmarking*

*Re-engineering*

*Management Audits & Pre-audit Planning*

*System and Capacity Planning*

*Electric Utility Operations*

*Gas Utility Operations*

*Gas Supply Planning*

*Rate & Regulatory Services*

*Financial, Accounting, Tax, & Depreciation Service*

*Forecasting Services*

*Financial and Economic Feasibility Evaluations*

*Appraisal and Valuation*

*Risk Management*

*Management Information Systems*

*Profit & Loss Systems*

*Human Resource Management*

*Advisory Services*

*Utility Management Development Program*

*Productivity and Performance Improvement*

*Materials Management*

*Marketing*

*Cogeneration*

*Mergers and Acquisitions*

*Project Review Services*

*Process Mapping*

*Quality Management Programs*



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# lients

## AS INDUSTRY

Alabama Gas Corporation  
Alabama-Tennessee Natural Gas Company  
Alberta Gas Trunk Line Co., Ltd.  
Alberta Natural Gas Co.  
ALGAS, S.A.  
Algonquin Gas Transmission Co.  
Amed New Hampshire Gas Company  
American Gas Association  
Arkansas-Louisiana Gas Company  
Arkansas-Missouri Power Company  
Arkansas Western Gas Company  
Association Gas District of Florida, Inc.  
Atlanta Gas Light Company  
Australian Gas Light Company  
C. Gas Company  
Baltimore Gas and Electric Company  
Battle Creek Gas Company  
Bay State Gas Company  
Berkshire Gas Company (The)  
BP Petroleum (Americas) Inc.  
BP Petroleum (New Ventures) Inc.  
Boston Gas Company  
Brazos River Gas Company  
Bridgeport Gas Company  
Brisbane Gas Company, Ltd.  
British Gas PLC  
Buckton Taunton Gas Company  
Brooklyn Union Gas Company  
Brazards Bay Gas Company  
National Corp.  
Bromley & Torrance  
Canadian Western Natural Gas Co., Ltd.  
Bridgeway Gas Company  
Bridgeway Natural Gas Corporation  
Compania de Gas y Electricidad S. A.  
Canada Gas Alberta, Inc.  
Canada Gas Manitoba, Inc.  
Central Hudson Gas & Electric Corp.  
Central Illinois Electric & Gas Co.  
Central Illinois Light Company  
Central Illinois Public Service Co.  
Central Indiana Gas Company  
Central Telephone & Utilities Corp.  
Champlain Pipeline Project  
Chesapeake Utilities  
Chinese Petroleum Corporation  
Cincinnati Gas & Electric Company  
Cities Service Gas Company  
Citizens Gas Fuel Company  
Citizens Gas & Coke Utility  
Citizens Utilities Company  
City of Danville, Virginia  
City of Hamilton, Ohio  
City of Holyoke, Massachusetts Gas and Electric  
City of Mesa, Arizona  
City of Norwich, Connecticut  
Department of Public Utilities  
City of Pensacola, Florida  
City of Petersburg, Virginia  
City of St. Petersburg, Florida  
City of Westfield, Massachusetts  
City of Winfield  
Coastal States Gas Corporation  
Cody Gas Company  
Colonial Gas Association, Ltd.  
Colonial Gas Company  
Colonial Gas Holdings, Ltd.  
Colorado Interstate Gas Co.  
Colorado Springs Gas Department  
Columbia Gas of Kentucky, Inc.  
Columbia Gas of Maryland, Inc.  
Columbia Gas of New York, Inc.  
Columbia Gas of West Virginia, Inc.  
Columbia Gas System, Inc.  
Commonwealth Gas Company  
Commonwealth Gas Distribution Corp.  
Commonwealth Natural Gas Corp.  
Community Public Service Company  
Companhia Municipal  
de Gas de Sao Paulo  
Concord Natural Gas Corporation  
Connecticut Light & Power Company  
Connecticut Natural Gas Corporation  
Conoco Pipeline Co.  
Consolidated Edison Company of New York, Inc.  
Consolidated Natural Gas Company  
Consumers' Gas Company

Stone & Webster Management Consultants, Inc.

Coming Natural Gas Corporation  
Cumberland Gas Company  
Dayton Power & Light Company  
Delaware Power & Light Company  
Delta Natural Gas Company  
Distrigas Corporation  
Dome Petroleum Limited  
Eastern Shore Natural Gas Co.  
Eastern Utilities Associates  
East Midland Gas Board  
East Ohio Gas Company  
Elizabeth City, North Carolina  
Elizabethtown Gas Company  
El Paso Natural Gas Company  
Empressa Nacional del Petroleo (Chile)  
EnergyNorth Inc.  
Energy Services of Pensacola  
Equitable Gas Company  
Essex County Gas Company  
Falcon Seaboard Oil Co.  
Fall River Gas Company  
Fitchburg Gas and Electric Co.  
Flo-Gas Corporation  
Florida Gas Company  
Florida Public Utilities Company  
Fremantle Gas and Coke Company  
Gainesville Gas Company  
Gas and Fuel Corporation of Victoria  
Gas Company of New Mexico  
Gas del Estado (Argentina)  
Gas Light Company of Columbus  
Gas Natural, S.A. (Chile)  
Gas Service Company  
Gas Service Inc.  
Gaz Inter-Cite Quebec  
Gaz Metropolitan, Inc.  
Geelong Gas Company  
Granite State Gas Transmission, Inc.  
Greater Winnipeg Gas Company  
Great Falls Gas Company  
Great Northern Gas Utilities, Ltd.  
Greenwich Gas Company  
Gulf Coast Natural Gas Company  
Gulf States Utilities Company  
Hartford Electric Light Company  
Hastings Utilities  
Hindustan Petroleum Corporation  
Hobbs Gas Company  
Honolulu Gas Company  
Hope Natural Gas Corporation  
Houston Natural Gas Corporation  
Houston Industrial Gas System  
ICG Canadian Propane  
Idaho Natural Gas Company  
Industrial Gas Supply Corporation  
Inland Natural Gas Company, Ltd.  
Inter-City Gas Corp., Inc.  
Intermountain Gas Company  
Interprovincial Pipe Line Limited  
Interstate Power Company  
Iowa Electric Light & Power Company  
Iowa-Illinois Gas & Electric Company  
Iowa Public Service Company  
Iroquois Gas Corporation  
Kansas Power & Light Co. (The)  
KPL-Gas Service  
KN Energy, Inc.  
Laclede Gas Company  
Lake Shore Gas Company  
Lea County Gas Company  
Lone Star Gas Company  
Long Island Lighting Company  
Louisiana Gas Interstate, Inc.  
Louisville Gas & Electric Co.  
Lowell Gas Company  
Madison Gas & Electric Company  
Main Gas Werke (Germany)  
Manchester Gas Company  
Manila Gas Corporation  
Memphis Light, Gas & Water Division  
Metropolitan Utilities District of Omaha  
Michigan Consolidated Gas Company  
Michigan Gas & Electric Company  
Michigan Gas Utilities Company  
Michigan-Wisconsin Pipe Line Company  
Mid-American Pipeline Company  
Midland Cogeneration Venture

Midwest Energy Corp.  
Midwestern Gas Transmission Company  
Mississippi Valley Gas Company  
Missouri Utilities Company  
Mobile Gas Service Corporation  
Montana-Dakota Utilities Company  
Montana Power Company  
Mountain Fuel Supply Company  
Mustang Fuel Corporation  
Nantucket Gas & Electric Company  
Nashville Gas Company  
National Fuel Gas Company  
National Fuel Gas Supply Corp.  
National Fuel Gas Distribution Corp.  
National Gas & Oil Corporation  
National Utilities & Industries Corp.  
Natural Gas Pipeline Co. of America  
New Bedford Gas & Edison Light Co.  
New Britain Gas Light Company  
New England Gas Association  
New Haven Gas Company  
New Jersey Natural Gas Company  
New York Gas Group  
New York State Electric & Gas Corp.  
New York State Natural Gas Corp.  
New Zealand Gas Association  
North Carolina Natural Gas Corp.  
North Shore Gas Company  
Northeast Utilities Service Company  
Northern and Central Gas Corp., Ltd.  
Northern Illinois Gas Company  
Northern Indiana Public Service Co.  
Northern Minnesota Utilities  
Northern Natural Gas Company  
Northern States Power Company  
Northern Utilities Inc.  
Northwest Pipeline SGS Customer Group  
Northwestern Public Service Company  
Northwestern Utilities, Ltd.  
Northwest Natural Gas Company  
Ohio Fuel Gas Corporation  
Ohio Gas Company  
Ohio Public Utility Commission  
Okaloosa County Gas District  
Oklahoma Gas & Electric Company  
Oklahoma Natural Gas Company  
Orange and Rockland Utilities, Inc.  
Pacific Lighting Service & Supply Co.  
Pacific Power & Light Company  
Panhandle Eastern Pipe Line Company  
Pecos Valley Gas Company  
Penn Fuel Gas Co.  
Pennsylvania Gas Company  
Pennsylvania Gas & Water Company  
Pennsylvania Gas Association  
Pennzoil United, Inc.  
Peoples Gas Light & Coke Company  
Peoples Gas System  
Peoples Natural Gas Company  
Peoples Natural Gas Company of South Carolina  
Permian Basin Pipeline Company  
Philadelphia Gas Commission  
Philadelphia Gas Works  
Piedmont Natural Gas Company  
Pioneer Natural Gas Company  
Plains-Western Gas, Ltd.  
Polar Gas / McKenzie Delta  
Producers Gas Company  
Providence Gas Company  
Public Service Company of North Carolina, Inc.  
Public Service Electric & Gas Company  
Puerto Rico Gas Co., Inc.  
Quebec Natural Gas Corporation  
Richmond Gas Corporation  
Roanoke Gas Company  
Rochester Gas & Electric Corporation  
St. Lawrence Gas Company, Inc.  
San Diego Gas & Electric Co.  
San Juan Gas Company  
Shreveport Intrastate Gas Transmission, Ltd.  
Sierra Pacific Power Company  
Societe Gazifere de Hull, Inc.  
South Australia Gas Company  
South Brisbane Gas & Light Company, Ltd.  
South Carolina Electric & Gas Company  
South County Gas Company  
South Eastern Gas Board  
South Jersey Gas Company  
Southeastern Michigan Gas Company

Southeastern Public Service Company  
Southern California Gas Company  
Southern Connecticut Gas Company  
Southern Indiana Gas & Electric Co.  
Southern Natural Gas Company  
Southern Union Gas Company  
Southwest Gas Corporation  
Southwestern Energy Co.  
Springfield Gas Light Company  
Stadtwerke Dusseldorf  
Stadtwerke Wiesbaden Ag.  
Suffolk Gas Company  
Sugar Bowl Gas Company, Inc.  
Sultanate of Oman  
Syracuse Suburban Gas Company, Inc.

Technischen Werke der Stadt Stuttgart  
Tenneco Inc.  
Tennessee Gas Transmission Company  
Texas Gas Transmission Corporation  
Town of Citronelle, Alabama  
TransCanada Pipeline Ltd.  
Transco Companies, Ltd.  
Transok Pipeline Company  
Transcontinental Gas Pipe Line Corp.  
Trans Quebec & Maritimes Pipelines, Inc.  
Tropical Gas Company  
Tucson Gas & Electric Company  
T. W. Phillips Gas & Oil Company  
  
Union Gas of Canada  
Union Gas & Electric Power Company

Union Gas Limited  
United Cities Gas Company  
United Fuel Gas Company  
United Gas Corporation  
United Gas Pipe Line Company  
United Natural Gas Company  
United Suburban Gas Company, Ltd.  
United Texas Transmission Co.

Valero Energy Company  
Valley Gas Company  
Vermont Gas Systems, Inc.  
Virginia Electric & Power Company  
Volunteer Natural Gas Company

Wales Gas Board  
Washington Gas Light Company  
Washington Natural Gas Company  
West Ohio Gas Company  
West Virginia Power Gas Service  
Westfield Gas & Electric Light Company  
Western Kentucky Gas Company  
Western Resources, Inc.  
Williston Basin Interstate Pipeline Co.  
Wilmut Gas & Oil Company  
Wisconsin Distributor Corp.  
Wisconsin Gas Company  
Wisconsin Public Service Corp.  
Wisconsin Southern Gas & Appliance Corp.  
World Bank (IBRD)  
Wyoming Gas Company  
  
York County Gas Company

Stone & Webster Management Consultants, Inc.

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New York, New York 10119  
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FAX (212) 290-7033

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At Stone & Webster, a century of experience, an unparalleled network of specialized technical and managerial expertise, and a tradition of quality and integrity stand behind comprehensive consulting services.

**CLOSING CERTIFICATE OF  
STONE & WEBSTER MANAGEMENT CONSULTANTS, INC.**

STONE & WEBSTER MANAGEMENT CONSULTANTS, INC. ("Stone & Webster"), by a duly authorized officer, hereby certifies as follows:

1. This Certificate is furnished pursuant to Paragraph 10(e) of the Purchase Contract, dated June 11, 1999, between the City of Philadelphia (the "City") and the Underwriters named therein (the "Purchase Contract"), relating to the sale by the City of \$176,280,000 aggregate principal amount of its Gas Works Revenue Bonds (1975 General Ordinance) Sixteenth Series and Gas Works Revenue Bonds (1998 General Ordinance) Second Series (the "Bonds"), as more fully described in the Preliminary Official Statement relating to the Bonds, dated June 3, 1999 (the "Preliminary Official Statement"), and the final Official Statement relating to the Bonds, dated June 16, 1999 (the "Official Statement"). Capitalized terms not otherwise defined in this Certificate shall have the meanings ascribed thereto in the Purchase Contract.

2. Stone & Webster has heretofore delivered an Independent Consultant's Report dated May 6, 1999, pursuant to Paragraph 10(e) of the Purchase Contract.

3. Stone & Webster was retained by the City to act as Consultants with respect to the Gas Works to prepare an Independent Consultant's Report with respect to the operational and financial requirements of the Gas Works in connection with the issuance of \$176,280,000 aggregate principal amount of the Bonds by the City.

The Independent Consultant's Report summarized the findings of operational and financial studies related to the Gas Works, including a projection of revenues and revenue requirements for the seven-year period of Fiscal Years 1999 through 2005.

Consent is hereby given to: (i) all references to Stone & Webster and the Independent Consultant's Report in the Preliminary Official Statement and the Official Statement; (ii) extraction of certain information from the Independent Consultant's Report and the reprinting thereof in the Preliminary Official Statement and the Official Statement; and (iii) the inclusion of the Independent Consultant's Report in Appendix B to the Preliminary Official Statement and Official Statement.

4. The Independent Consultant's Report was prepared in accordance with generally accepted consulting practices.

Stone & Webster Management Consultants, Inc.

One Penn Plaza, 250 W. 34th Street

New York, New York 10119-2998

Phone: 212.290.7000

Fax: 212.290.7033

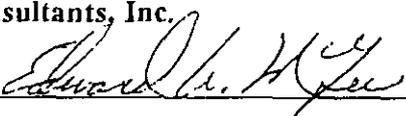
[www.stoneweb.com](http://www.stoneweb.com)

5. In connection with the preparation of the Independent Consultant's Report, personnel of Stone & Webster participated in meetings with representatives of the Gas Works, the Finance Department and the Law Department of the City, the Underwriters and their Co-Counsel, and of Co-Bond Counsel relating to the Bonds and the purposes for which they are being issued. As stated in the Preliminary Official Statement and Official Statement, no change in current legislation has been factored into the forecasts in the Independent Consultant's Report. Subsequent to the date of the Independent Consultant's Report, nothing has come to the attention of Stone & Webster, in relation to our engagement as described in this Certificate, that would lead us to believe that the Independent Consultant's Report or any of the statements specifically attributed to Stone & Webster in the Preliminary Official Statement or Official Statement were, as of their respective dates, or are on the date hereof, inaccurate in any material respect, except that we make no certification with respect to the provisions of House Bill 1331 which was passed by the Pennsylvania legislature on June 16, 1999.

6. This Certificate is solely for the information of and assistance to the City and the Underwriters in conducting and documenting their investigation of the matters covered by the Independent Consultant's Report in connection with the offering of the Bonds and is not to be used, circulated, quoted or otherwise referred to within or without the underwriting group for any other purpose, including but not limited to the purchase or sale of securities, nor is it to be referred to in whole or in part in the Official Statement or in any other document, except that reference may be made to it in the Purchase Contract and in any list of closing documents pertaining to the settlement for the sale of the Bonds.

Signed and dated this 23rd day of June, 1999.

Stone & Webster Management  
Consultants, Inc.

By: 

Vice President

**CERTIFICATE OF CHIEF EXECUTIVE OFFICER OF  
THE PHILADELPHIA GAS WORKS**

I, BEN HAYLLAR, the duly appointed Interim President and Chief Executive Officer of the Philadelphia Gas Works of the City of Philadelphia, Pennsylvania (the "City"), hereby certify as follows:

1. This Certificate is being executed and delivered in connection with the issuance and sale by the City on the date hereof of its Gas Works Revenue Bonds (1975 General Ordinance) Sixteenth Series and Gas Works Revenue Bonds, (1998 General Ordinance) Second Series (the "Bonds"), as more fully described in the Preliminary Official Statement dated June 3, 1999 relating to the Bonds (the "Preliminary Official Statement") and the Official Statement dated June 16, 1999 relating to the Bonds (the "Official Statement"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Official Statement.

2. As Chief Executive Officer of the Philadelphia Gas Works, I am charged with the responsibility of managing the Gas Works in accordance with the City's Home Rule Charter and the Management Agreement between the City and the Philadelphia Facilities Management Corporation.

3. I have read the Preliminary Official Statement and, to the best of my knowledge, the Preliminary Official Statement, including Appendix A and Appendix D thereto as it relates to the Gas Works, as of its date, as to all matters relating to the Gas Works and its affairs, did not contain any untrue statement of a material fact or omit to state a material fact necessary to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

4. I have read the Official Statement and, to the best of my knowledge, the Official Statement, including Appendix A and Appendix D thereto as it relates to the Gas Works, as of its date and at all times subsequent thereto up to and including the date hereof, as to all matters relating to the Gas Works and its affairs, did not and does not contain any untrue statement of a material fact or omit to state a material fact necessary to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

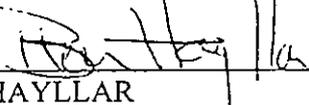
5. To the best of my knowledge, the statements and data contained in the Independent Consultant's Report of Stone & Webster, Inc., prepared in connection with the issuance and sale of the Bonds, that are attributed to the Gas Works are correct in all material respects and do not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they

were made, not misleading.

6. The audited financial statements of the Gas Works for the fiscal years ended August 31, 1998 and August 31, 1997 ("Financial Statements") included as Appendix A to the Preliminary Official Statement and Official Statement were prepared by the Gas Works and have been approved for use in the Preliminary Official Statement and Official Statement by me. To the best of my knowledge, the Financial Statements fairly present the financial position and results of operations of the Gas Works as of the dates and for the periods set forth therein. To the best of my knowledge, the Financial Statements have been prepared both on the "legally enacted basis" and on the basis of generally accepted accounting principles as specified in Footnote 1 to the Financial Statements consistently applied and, to the extent the Financial Statements have been prepared on the accrual basis, they have been prepared on a basis substantially consistent with the audited financial statements of the City for the corresponding periods and reflect all material adjustments necessary to a fair and consistent presentation of the results for such periods.

7. The unaudited financial statements for the six months ended February 28, 1999 (the "Unaudited Financial Statements") included as Appendix A to the Preliminary Official Statement and Official Statement were prepared by the Gas Works and have been approved for use in the Preliminary Official Statement and Official Statement by me. To the best of my knowledge, the Unaudited Financial Statements fairly present the financial position and results of operations of the Gas Works as of the dates and for the periods set forth therein. To the best of my knowledge, the Unaudited Financial Statements have been prepared both on the "legally enacted basis" and on the basis of generally accepted accounting principles, subject to the normal year end adjustments.

Signed and dated this 23rd day of June, 1999.

  
\_\_\_\_\_  
BEN HAYLLAR  
Interim President and Chief Executive Officer



**Public Financial Management**  
Financial and Investment Advisors

**CERTIFICATE OF PUBLIC FINANCIAL MANAGEMENT, INC.**

Re: \$62,315,000 City of Philadelphia Gas Works Revenue Bonds (1975 General Ordinance), Sixteenth Series and \$113,965,000 City of Philadelphia Gas Works Revenue Bonds (1998 General Ordinance), Second Series

I, the undersigned Barbara C. Bisgaier of Public Financial Management, Inc. ("PFM"), am duly authorized to and do hereby certify on behalf of PFM that PFM is co-financial advisor to The City of Philadelphia, Pennsylvania (the "City"). In our capacity as co-financial advisor, we advised the City in connection with the issuance of the above-referenced bonds (the "Bonds") and participated in the preparation of the Preliminary Official Statement dated June 3, 1999 relating to the Bonds (the "Preliminary Official Statement") and the Official Statement of the City dated June 16, 1999 relating to the Bonds (the "Official Statement"). I further certify on behalf of PFM that nothing has come to our attention which would lead us to believe that the information in the Preliminary Official Statement or the Official Statement relating to the City contains any untrue statement of material fact or omits to state a material fact necessary to make the statements and information therein, in light of the circumstances under which they were made, not misleading.

PUBLIC FINANCIAL MANAGEMENT, INC.

By: Barbara C. Bisgaier

Dated: June 23, 1999

CERTIFICATE OF HOPKINS & COMPANY

Re: \$ 62,315,000 City of Philadelphia Gas Works Revenue Bonds (1975 General Ordinance), Sixteenth Series and \$113,965,000 City of Philadelphia Gas Works Revenue Bonds (1998 General Ordinance), Second Series

I, the undersigned Samuel G. Hopkins of Hopkins & Company ("Hopkins"), am duly authorized to and do hereby certify on behalf of Hopkins that Hopkins is co-financial advisor to The City of Philadelphia, Pennsylvania (the "City"). In our capacity as co-financial advisor, we advised the City in connection with the issuance of the above-referenced bonds (the "Bonds") and participated in the preparation of the Preliminary Official Statement dated June 3, 1999 relating to the Bonds (the "Preliminary Official Statement") and the Official Statement of the City dated June 16, 1999 relating to the Bonds (the "Official Statement"). I further certify on behalf of Hopkins that nothing has come to our attention which would lead us to believe that the information in the Preliminary Official Statement or the Official Statement relating to the City contains any untrue statement of material fact or omits to state a material fact necessary to make the statements and information therein, in light of the circumstances under which they were made, not misleading.

HOPKINS & COMPANY

By: Samuel G. Hopkins

Dated: June 23, 1999

# CITY OF PHILADELPHIA

OFFICE OF THE DIRECTOR OF FINANCE  
1401 John F. Kennedy Blvd.  
Room 1330, Municipal Services Bldg.  
Philadelphia, Pennsylvania 19102-1693  
(215) 686-6140  
FAX (215) 568-1947

BEN HAYLLAR  
Director of Finance

June 23, 1999

Honorable Edward G. Rendell  
Jonathan A. Saidel  
Stephanie L. Franklin-Suber  
Constituting the Bond Committee  
City Hall  
Philadelphia, PA 19103

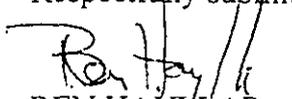
Re: Philadelphia Gas Works Revenue Bonds (1975 General Ordinance), Sixteenth Series and Philadelphia Gas Works Revenue Bonds (1998 General Ordinance), Second Series

In preparation for the issuance of the above-referenced bonds (the "Bonds"), Stone & Webster Management Consultants, Inc. of New York, New York ("Stone & Webster") was engaged to (i) investigate the physical properties included in the Philadelphia Gas Works (the "Gas Works") and the accounts and records of the Gas Works; (ii) review the capital program of the Gas Works; and (iii) compile relevant data upon which to make projections to determine whether the revenues of the Gas Works are and will be sufficient to satisfy the tests of adequacy required by Act No. 234 of October 18, 1972, known as The First Class City Revenue Bond Act (the "Act"), and the General Gas Works Revenue Bond Ordinance of 1975, as amended (the "1975 General Ordinance") and the General Gas Works Revenue Bond Ordinance of 1998 (the "1998 General Ordinance"). Stone & Webster conducted an in-depth examination of the Gas Works and consulted with and obtained information from officers and employees of the Gas Works in the preparation of its report dated May 6, 1999 (the "Engineering Report").

Since the actual interest rates for the Bonds differ from those assumed by Stone & Webster in its preparation of Table 15A in the Engineering Report, which shows projected coverage of debt service from operations, Stone & Webster was asked to prepare a supplemental table based on the actual debt service for the Bonds. A copy of that supplemental table prepared by Stone & Webster is attached hereto.

Based on the Engineering Report and the supplemental table attached hereto, I find that with the rates currently in effect and on the basis of estimated future financial operations of the Gas Works, as detailed in the Engineering Report, the Gas Works will, in my opinion, yield pledged Project Revenues (as defined in the 1975 General Ordinance) and pledged Gas Works Revenues (as defined in the 1998 General Ordinance) over the amortization periods of the Bonds sufficient to meet the payment and/or deposit requirements of (a) all expenses of operation, maintenance, repair and replacement of the Gas Works; (b) all reserve or special funds required to be established and maintained out of Project Revenues and Gas Works Revenues; (c) the principal of and interest on all revenue bonds issued under the 1975 General Ordinance and the 1998 General Ordinance, as the same shall become due and payable; and (d) any State taxes assumed by the City of Philadelphia to be paid on such bonds and also to provide such coverage on such bonds as is required by the 1975 General Ordinance and the 1998 General Ordinance.

Respectfully submitted,

  
BEN HAYLLAR  
Director of Finance

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June 18, 1999

Honorable Ben Hayllar  
Director of Finance  
City of Philadelphia  
1401 John F. Kennedy Boulevard  
1330 Municipal Services Building  
Philadelphia, Pennsylvania 19102

**Subject: Updated Bond Coverages for  
Independent Consultant's Report  
City of Philadelphia, Pennsylvania  
Gas Works Revenue Bonds (1998 General Ordinance), Second Series and  
Gas Works Revenue Bonds (1975 General Ordinance), Sixteenth Series**

Dear Mr. Hayllar:

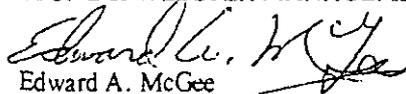
Stone & Webster Management Consultants, Inc. (Stone & Webster) provided its Independent's Consultant's Report to you on May 6, 1999 containing our findings and conclusions with respect to the issuance of up to \$115,000,000 of Gas Works Revenue Bonds (1998 General Ordinance), Second Series (the "Second Series Bonds") and up to \$80,000,000 of Gas Works Revenue Bonds (1975 General Ordinance) Sixteenth Series (the "Sixteenth Series Bonds") (collectively the "Bonds").

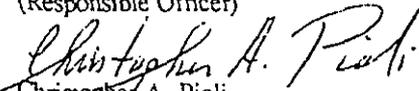
Financial coverage tables in the report were based on best estimates of interest rates on the Bonds as provided by Merrill Lynch at the time of our report. Now that the Bonds have been priced, and since actual interest rates turned out to be slightly higher than the estimated rates used in our report, we have recalculated bond coverages. The new coverages are shown in the attached Revised Table 15A, which compares directly to Table 15A of our report and contains the same assumptions regarding revenues, etc.

Coverages shown in the Revised Table 15A have declined slightly but still comply with the surplus requirements of the rate covenants set forth in Section 4.03(b) of each of the General Ordinances. Based on these results Stone & Webster continues to support its overall findings, conclusions, and key opinions relevant to issuance of the Bonds.

Sincerely,

STONE & WEBSTER MANAGEMENT CONSULTANTS, INC.

  
Edward A. McGee  
Vice President  
(Responsible Officer)

  
Christopher A. Pioli  
Executive Consultant  
(Project Manager)

Stone & Webster Management Consultants, Inc.  
One Penn Plaza, 250 W. 34th Street  
New York, New York 10119-2998  
Phone: 212.290.7000  
Fax: 212.290.7033  
www.stoneweb.com

**COVERAGE OF DEBT SERVICE FROM OPERATIONS**

**(\$000)**

Sixteenth Series Bonds and Second Series Bonds Issued

Fiscal Years Ended August 31,

	<u>Current (a)</u> <u>Estimate</u> <u>1998-99</u>	<u>Budget</u> <u>1999-2000</u>	<u>Forecast</u> <u>2000-01</u>	<u>Forecast</u> <u>2001-02</u>	<u>Forecast</u> <u>2002-03 (b)</u>	<u>Forecast</u> <u>2003-04</u>	<u>Forecast</u> <u>2004-05</u>
Funds Available For Debt Service Calculation (Exhibit V)	\$94,577	\$115,740	\$118,339	\$137,170	\$142,894	\$144,236	\$146,767
<u>1975 Ordinance Bonds</u>							
Debt Service Bonds	\$57,741	\$59,545	\$51,611	\$55,527	\$47,657	\$50,267	\$44,267
Debt Service Coverage	1.64	1.94	2.29	2.47	3.00	2.87	3.32
Net Available After Prior Debt Service	\$36,836	\$56,195	\$66,728	\$81,643	\$95,237	\$93,969	\$102,500
Capital Lease for Building	-	-	-	-	-	-	-
Other Capital Leases	7,882	7,991	7,977	5,953	3,997	3,998	1,999
Total	\$7,882	\$7,991	\$7,977	\$5,953	\$3,997	\$3,998	\$1,999
Net Available After Capital Leases	\$28,954	\$48,204	\$58,751	\$75,690	\$91,240	\$89,971	\$100,501
<u>1998 Ordinance Senior Bonds</u>							
Debt Service Existing	\$15,097	14,128	\$22,047	\$16,711	\$22,646	\$17,371	\$21,495
Debt Service Proposed	0	7,878	7,402	7,400	7,401	12,279	13,220
Total	\$15,097	\$22,006	\$29,449	\$24,111	\$30,047	\$29,650	\$34,715
Debt Service Coverage	1.92	2.19	2.00	3.14	3.04	3.03	2.90
Net Available after Debt Service on Sr. Bonds	\$13,857	\$26,198	\$29,302	\$51,579	\$61,193	\$60,321	\$65,786
<u>1998 Ordinance Subordinate Bonds</u>							
Debt Service	\$2,053	\$1,986	\$1,991	\$1,985	\$1,989	\$1,989	\$1,987
Debt Service Coverage	6.75	13.19	14.72	25.98	30.77	30.33	33.11

(a) Current Estimate is based on six months actual data and six months projections based upon currently available information.

(b) Assumes tax-exempt interest rate of 6.5% for Senior new money issue under the 1998 Gen'l. Ordinance in 2003 (\$75.0 million).

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Certificate As To Legislative Procedures, Compliance  
With Statutory Requirements and Effective Status of  
Bond Ordinance and Related Ordinances

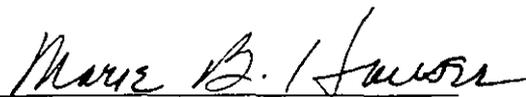
Re: \$62,315,000 City of Philadelphia, Pennsylvania  
Gas Works Revenue Bonds (1975 General Ordinance), Sixteenth Series

I, Marie B. Hauser, Chief Clerk of the Council of the City of Philadelphia, Pennsylvania (the "Council"), do hereby certify that it appears from the records of said Council that:

- a. Public hearings were held on each of the Bills listed below, as required by Section 2-201(2) of the Philadelphia Home Rule Charter:
  - i. Bill No. 1871 approved by the Mayor on May 30, 1975, authorizing generally the issuance and sale of Gas Works Revenue Bonds as specified by supplemental ordinances (hearing held May 21, 1975); as amended by Ordinance of City Council approved July 26, 1979 - Bill No. 2068 (hearing held June 27, 1979), Ordinance of City Council approved July 31, 1980 - Bill No. 274 (hearing held July 21, 1980), Ordinance of City Council approved September 22, 1982 - Bill No. 1316 (hearing held June 16, 1982, Ordinance of City Council approved May 17, 1985 - Bill No. 534 (hearing held May 8, 1985) and Ordinance of City Council approved January 28, 1993 - Bill No. 379 (hearing held January 12, 1993) (referred to hereafter collectively as "1975 General Ordinance Bills").
  - ii. Bill No. 990285 approved by the Mayor on May 31, 1999, authorizing the creation of a loan in the amount of up to \$80,000,000 to be evidenced by Gas Works Revenue Bonds (hearing held May 11, 1999).
- b. Notice of public hearings on said Bills and of their reports from committee were duly given by advertisement, each such Bill was duly enacted by the affirmative vote of a majority of all the members of the Council after the elapse of not less than five days from the printing and distribution of such Bill as reported from committee, and the votes thereon have been recorded in the Journal of Council, all as required by Section 2-201 of the Philadelphia Home Rule Charter.
- c. A summary of each section of the 1975 General Ordinance Bills and Bill No. 990285 were duly published, as required by Article XVIII, Section 3, of the Act of June 25, 1919, P.L. 581, and each such Bill was duly passed by the affirmative vote of two-thirds of the members of the Council, as required by Article XVIII, Section 1, of such Act.
- d. Prior to the enactment of Bill No. 990285, the Director of Finance of the City of Philadelphia (the chief fiscal officer of the City of Philadelphia), in accordance

with Section 8 of The First Class City Revenue Bond Act, Act. No. 234, approved October 18, 1972 (the "Revenue Bond Act"), filed with Council the following documents:

- i. An executed copy of the financial report dated May 7, 1999, signed by the chief fiscal officer of the City of Philadelphia, together with an executed letter of Stone & Webster Management Consultants, Inc., independent consultants, addressed to the Director of Finance of the City of Philadelphia, and a copy of the report on the Gas Works of the City of Philadelphia prepared by said independent consultants attached thereto, as required by Section 8(a) of the Revenue Bond Act; and
  - ii. An executed copy of the opinion of Stephanie L. Franklin-Suber as City Solicitor, dated May 11, 1999, required by Section 8(b) of the Revenue Bond Act.
- e. The copies of the Ordinances attached hereto (identified as Bills No. 1871, as amended, and 990285) are true and correct copies of the originals of those Ordinances, as amended, on file in the office of the Chief Clerk of the Council; and such Ordinances have not been amended or repealed and are in full force and effect on the date of this certificate.



Chief Clerk of the Council of the  
City of Philadelphia

(SEAL)

Dated: June 23, 1999

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

By .....  
*City Solicitor*

Explanation  
(Brackets) indicate matter deleted.  
Italics indicate new matter added.

Approved the thirtieth day of May, A.D. 1975.

FRANK L. RIZZO,  
*Mayor of Philadelphia.*

\* Bill No. 1870

**\* AN ORDINANCE**

Authorizing, generally, the issuance and sale by the City of Gas Works Revenue Bonds of the City of Philadelphia, prescribing the form of bonds, their execution, transfer, exchange, payment and redemption, prescribing the conditions precedent to the issue of specific series of bonds, including a supplemental authorizing ordinance, pledging the revenues of the Gas Works of the City as security, adopting a rate covenant, and directing the Gas Commission to impose rates sufficient to comply therewith, designating a fiscal agent and sinking fund depository, establishing a Sinking Fund, including a Sinking Fund Reserve, and providing for its management, providing remedies upon default, and for amendments and modifications.

*The Council of the City of Philadelphia hereby ordains:*

SECTION 1.

ARTICLE I  
AUTHORIZATION, SCOPE AND PURPOSE—  
SHORT TITLE

This Ordinance is enacted pursuant to the provisions of The First Class City Revenue Bond Act approved October 18, 1972 (Act No. 234, 53 P.S. §15901 to 15924) for the purpose of authorizing the issuance from time to time of

gas works revenue Bonds of the City to be secured by a pledge of the revenues of the Gas Works of the City, in such principal amounts as shall from time to time be authorized by further ordinance of the Council as more particularly hereinafter set forth. This Ordinance shall be known as the General Gas Works Revenue Bond Ordinance of 1975.

SECTION 2.

ARTICLE II  
DEFINITIONS AND OTHER PROVISIONS OF  
GENERAL APPLICATION

SECTION 2.01. *Definitions.* For all purposes of this Ordinance and any ordinance supplemental hereto, except as otherwise expressly provided or unless the context otherwise requires:

*Act* means The First Class City Revenue Bond Act approved October 18, 1974 (Act No. 234, 53 P.S. §15901 to 16924) as from time to time amended. The words and phrases which are defined in the Act shall have such defined meaning when used in this Ordinance.

*Bond or Bonds* means any gas works revenue bond of the City issued and outstanding pursuant to the Act under this Ordinance and any supplemental ordinance and shall include installment bonds, temporary bonds and interim certificates.

*Bondholder* means the holder of any bearer bond and the registered owner of any registered bond and the term Holder, or Holders unless the context otherwise requires, shall be deemed to include the registered owners of any bond or bonds as well as the holders of bearer bonds.

*City* means the City of Philadelphia, Pennsylvania.

*City Charges* means the proportionate charges, if any, for services performed for the Gas Works of the City by all officers, departments, boards or commissions of the City which are contained in the computation of operating expenses of the Gas Works, including, without limitation, the

to correctness

Solicitor

1975.

RIZZO.  
Philadelphia.

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of Philadelphia,  
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cribing the con-  
series of bonds.  
rdinance, pledg-  
City as security,  
the Gas Com-  
mply therewith,  
fund depository,  
a Sinking Fund  
ment, providing  
ents and modifi-

hereby ordains:

PURPOSE—

he provisions of  
approved October  
15924) for the  
time to time of

expenses of the Gas Commission, and also means the base payments to the City contained in the Agreement between the City and the Manager and all other payments made to the City from Project Revenues.

*Director of Finance* means the chief financial, accounting and budget officer of the City as established by the Philadelphia Home Rule Charter.

*Fiscal Agent* means the bank named as such in Section 6.02 or its successor.

*Fiscal Year* means the fiscal year of the City.

*Gas Works* means all property, real and personal, owned by the City and used in the acquisition or manufacture, storage and distribution of natural, liquified, synthetic or manufactured gas or in the maintenance, management or administration thereof, and also means, as the context may require, the business entity managed by the Manager.

*Manager* means The Philadelphia Facilities Management Corporation currently managing the Gas Works pursuant to an ordinance of City Council approved December 29, 1972, setting forth the Agreement between the City and The Philadelphia Facilities Management Corporation, or its successor or such other person, corporation, board, commission or department of the City, which may be designated by ordinance to manage the Gas Works.

*Net Operating Expenses* means Operating Expenses exclusive of City Charges.

*Operating Expenses* means all costs and expenses of the Gas Works necessary and appropriate to operate and maintain the Gas Works in good operable condition during each fiscal year of the City, and shall include, without limitation, the Manager's fee, salaries and wages, purchases of service by contract, costs of materials, supplies and expendable equipment, maintenance costs, costs of any property or the replacement thereof or for any work or project, related to the Gas Works, which does not have a probable useful life of at least five years, pension and welfare plan and work-

men's compensation requirements, provision for claims, refunds and uncollectible receivables and for City Charges, all in accordance with generally accepted municipal accounting principles consistently applied, but shall exclude depreciation and interest and sinking fund charges.

*Project Revenues* means the revenues pledged for the security and payment of the Bonds as set forth in Section 4.02.

*Rate Covenant* means the rate covenant contained in subsection (b) of Section 4.03.

*Series* when applied to Bonds means collectively all of the Bonds of a given issue authorized by Supplemental Ordinance as provided in Article IV thereof and may also mean, if appropriate, a subseries of any series if, for any reason, the City should determine to divide any series into one or more subseries of Bonds.

*Sinking Fund* means the Gas Works Revenue Bond Sinking Fund established by Section 6.01.

*Sinking Fund Depository* means the bank named as such in Section 6.02 or its successor.

*Sinking Fund Reserve* means the Sinking Fund Reserve established by Section 6.04.

*Supplemental Ordinance* means an ordinance supplemental hereto enacted pursuant to the Act and this Ordinance by the Council of the City authorizing the issuance of a series of Bonds.

**SECTION 2.02. Interpretation.** All references in this Ordinance to articles, sections and other sub-divisions of the Ordinance are to the designated articles, sections or other sub-divisions of this Ordinance as originally enacted. The words "herein," "hereof," "hereby" and "hereunder" and other words of similar import refer to this Ordinance as a whole and not to any particular article, section or other sub-division.

**SECTION 2.03. Descriptive Headings.** The descriptive headings of the several articles and sections of this Ordinance

nance are inserted for convenience only and shall not control or affect the meaning or construction of any of its provisions.

SECTION 2.04. *Severability.* In case any one or more of the provisions contained in this Ordinance or in any Bond or coupon issued pursuant hereto shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this Ordinance or of said Bonds or coupons, and this Ordinance or said Bonds or coupons shall be construed and enforced as if such invalid, illegal or unenforceable provisions had never been contained therein.

SECTION 3.

### ARTICLE III CONCERNING THE BONDS

SECTION 3.01. *Forms Generally.* All Bonds, and the coupons, if any, appertaining thereto, shall be in substantially the forms set forth in this Article, with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Ordinance, and may be designated as of such Series by date, number, letter or otherwise and may also have such individual letters, identifying numbers or other marks, and such descriptive panels, registration panels, legends or endorsements placed thereon, as may, consistently with this Ordinance and the Act, be determined by the Director of Finance. The Bonds may also have printed thereon or on the reverse thereof the text of an approving legal opinion with respect thereto and an appropriate certificate as to its correspondence with an executed counterpart may be included on the face or on the reverse of the Bonds. Any portion of the text of any Bond may be set forth on the reverse thereof with an appropriate reference on the face of the bond.

SECTION 3.02. *Form of Fully Registered Bond.* Fully registered bonds shall be substantially in the following form:

(Form of Fully Registered Bond)  
UNITED STATES OF AMERICA  
COMMONWEALTH OF PENNSYLVANIA  
CITY OF PHILADELPHIA  
GAS WORKS REVENUE BOND

[Numerical Designation] §

[Series Designation]

[Interest Rate: % Semi-annual Interest 3 ]

The City of Philadelphia, Pennsylvania (the City), for value received, hereby promises to pay in lawful money of the United States of America to

or registered assigns, on

, unless this Bond shall be redeemable and shall have previously been called for redemption and payment of the redemption price made or provided for, from the rentals, revenues and moneys of the City pledged for the payment hereof pursuant to the General Gas Works Revenue Bond Ordinance of 1975 (Ordinance No. approved , 1975) of the City (the 1975 Ordinance) but solely therefrom and not otherwise, upon surrender hereof, the principal sum of

Dollars (\$ ), and the pay interest on such principal amount in like money, but solely from said rentals, revenues and moneys aforesaid, to the registered owner by check or draft mailed to the registered owner at his address as it appears on the bond register, from the interest payment date next preceding the date hereof, unless the date hereof shall be an interest payment date, in which case from the date hereof, initially on

and thereafter on each subsequent and

until payment of such principal amount, or provisions therefor, shall have been made upon redemption of at or after maturity, at the annual rate shown hereon. The principal of and interest on this bond and the premium, if any, payable upon redemption are payable at the principal Philadelphia office of

Fiscal Agent of the City, in Philadelphia, Pennsylvania, or

shall not con-  
of any of its

one or more of  
in any Bond  
any reason be  
in any respect,  
shall not affect  
said Bonds or  
is or coupons  
invalid, illegal  
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an appropriate

Bond. Fully  
the following

at the principal office of any successor Fiscal Agent appointed under the 1975 Ordinance.

This Bond is one of a duly authorized issue of bonds of the City designated as its Gas Works Revenue Bonds of the Series designated hereon (the Bonds), limited in aggregate principal amount to \$                    issued or to be issued pursuant to The First Class City Revenue Bond Act (Act No. 234 of the Pennsylvania General Assembly approved October 18, 1972, 53 P.S. §15901) (the Act) under the 1975 Ordinance and supplemental ordinance dated.

The Bonds, together with all previous bonds of the City, if any, issued under the 1975 Ordinance and under previous supplemental ordinances and together with all bonds of the City hereafter issued under the 1975 Ordinance and all subsequent supplemental ordinances, are and will be equally and ratably secured under the 1975 Ordinance by a pledge of all the rents, rates and charges imposed or charged by the City for the use of or services rendered by the Gas Works of the City and of certain other moneys derived from the Gas Works and from the investment of such revenue. The 1975 Ordinance requires such revenues to be applied in order of priority to net operating expenses, sinking fund payments required by the 1975 Ordinance, payment of general obligation bonds of the City adjudged to be self-liquidating from Gas Works revenues, debt service on other general obligation bonds issued for the Gas Works, City charges and any other proper purpose of the City.

The City covenants, so long as this Bond shall remain outstanding, to make payments of interest on the indebtedness represented by this Bond, out of its Gas Works Revenue Bond Sinking Fund, in the semi-annual amount shown hereon on each interest payment date of this Bond, or as the case may be, the proportionate part thereof from the date hereof to the next interest payment date, and to pay, upon surrender hereof, from said Sinking Fund on the maturity date hereof or, if this Bond shall be selected for mandatory or optional redemption, then on the applicable redemption date, the principal amount hereof with the applicable premium, if any.

Reference is hereby made to the 1975 Ordinance for a statement of the terms and conditions under which previous bonds, if any, have been issued, under which the Bonds are issued and under which additional bonds will be issued, and for a statement of the particular rentals, revenues and moneys pledged for the security and payment of all bonds issued under the 1975 Ordinance, the nature, extent and manner of enforcement of the security, the terms and conditions under which the 1975 Ordinance may be amended or modified, and the rights of the holders or registered owners of the Bonds with respect to such security. The City hereby represents to and covenants with the registered owner of this Bond that no Gas Works revenue bonds of the City have been or will be issued for the payment of which the holder has or shall have a prior lien on or security interest in the revenues pledged for the payment of this Bond or a prior right to payment therefrom and that all Gas Works revenue bonds which have been or will be equally and ratably secured by such pledged revenues have and will be issued in accordance with the provisions of the 1975 Ordinance. However, nothing herein contained shall be construed to prevent the City from financing Gas Works projects by the issuance of its general obligation bonds or by the issuance of Gas Works revenue bonds under other authorization for the payment of which project revenues of the Gas Works may be pledged subject and subordinate in each fiscal year to the prior payment from such revenues of all principal, premium, interest and sinking fund requirements payable during such fiscal year under the 1975 Ordinance in respect of Gas Works Revenue Bonds issued and outstanding thereunder.

In the manner and upon the terms and conditions provided in the 1975 Ordinance,

(here insert specific provisions with respect to redemption, including, if applicable, mandatory redemption)

If less than an entire year's maturity is to be redeemed at any particular time, the Bonds or portions thereof to be redeemed shall be chosen by the Fiscal Agent by lot.

Fiscal Agent ap-

Issue of bonds of the Bonds of the City in aggregate to be issued pursuant to Act (Act No. ) approved October 1975

of the City, if under previous all bonds of the City and all subsequent bonds will be equally secured by a pledge of or charged by the Gas Works derived from such revenue. to be applied to sinking fund payment of gas service on other Gas Works. City of the City.

and shall remain on the indebtedness of Gas Works Revenue Bonds amount shown on this Bond, or as provided hereof from the sinking fund, and to pay. The Fund on the sinking fund shall be selected for the applicable provisions with the ap-

Each such redemption shall be made after notice by publication once a week for two successive weeks in not less than two or more than four daily newspapers published and of general circulation in the City of Philadelphia, Pennsylvania, the first publication to be not less than thirty (30) days or more than sixty (60) days prior to the date fixed for redemption. Notice having been so given and provision having been made for redemption from funds on deposit with the Fiscal Agent or Sinking Fund Depository, all interest on Bonds called for redemption accruing after the date fixed for redemption shall cease, and the holders or registered owners of the Bonds called for redemption shall have no security, benefit or lien under the 1975 Ordinance or any right except to receive payment of the redemption price.

This Bond is transferable and exchangeable by the registered owner hereof in person or by his attorney duly authorized in writing, at the principal Philadelphia office of the Fiscal Agent, but only in the manner, subject to the limitations and upon payment of the charges provided in the 1975 Ordinance, and upon surrender and cancellation of this Bond. Upon any such transfer or exchange, the City shall issue in the name of the transferee or of the registered owner hereof, and shall deliver in exchange for this Bond, to or upon the order of such registered owner, a new registered Bond or new registered Bonds in authorized denominations aggregating the principal amount hereof or a coupon Bond or coupon Bonds of such denominations and aggregate principal amount with coupons attached representing all unpaid interest due or to become due and, in each case, maturing on the same date and bearing interest at the same rate as this Bond, and bearing the same designation as to series or subseries as this Bond.

As provided by the Act, this Bond, its transfer and the income therefrom (including any gains made on the sale thereof other than underwriting profits in a distribution thereof) shall at all times be free from taxation within and by the Commonwealth of Pennsylvania but this exemption shall not extend to underwriting profits or to gift, succes-

sion or inheritance taxes or any other taxes not levied directly on this Bond, the receipt of income therefrom, or the realization of gains on the sale thereof.

The City and the Fiscal Agent may treat the person in whose name this Bond is registered as the absolute owner hereof for all purposes whether or not this Bond or any installment of interest be overdue, and neither the City nor the Fiscal Agent shall be affected by any notice to the contrary. All payments of the principal, or premium upon redemption, of this Bond or of interest hereon to such registered owner in the manner herein and in the 1975 Ordinance set forth shall be valid and effectual to satisfy and discharge the liability upon this Bond to the extent of the sum or sums so paid whether or not notation of the same be made hereon, and any consent, waiver or other action taken by such registered owner pursuant to the provisions of the 1975 Ordinance shall be conclusive and binding upon such registered owner, his heirs, successors or assigns, and upon all transferees hereof whether or not notation thereof be made hereon or on any Bond issued in exchange or transfer hereof.

In case an event of default, as defined in the 1975 Ordinance, shall occur, the principal of all bonds then outstanding under the 1975 Ordinance may be declared or may become due and payable and any such declarations may thereafter be annulled, all upon the conditions and in the manner and with the effect provided in the 1975 Ordinance and in the Act.

This Bond is a special obligation of the City payable solely from the pledged rentals, revenues and moneys and neither the credit nor the taxing power of the City is pledged for the payment of the principal of, premium, if any, or interest on this Bond, nor shall this Bond be deemed to be a general obligation of the City.

It is hereby certified that all conditions, acts and things required to exist, happen and be performed under the Act and under the 1975 Ordinance precedent to and in the issu-

er notice by pub-  
weeks in not less  
papers published  
of Philadelphia,  
less than thirty  
prior to the date  
given and pro-  
from funds on  
Fund Depository,  
accruing after  
and the holders  
for redemption  
the 1975 Ordi-  
of the redemp-

able by the regis-  
his attorney duly  
Philadelphia office  
er, subject to the  
arges provided in  
and cancellation  
or exchange, the  
referee or of the  
or in exchange for  
registered owner, a  
onds in authorized  
amount hereof or  
nominations and  
attached repre-  
be due and, in each  
ag interest at the  
ame designation

to transfer and the  
made on the sale  
to a distribution  
within and  
for this exemption  
or to gift, succes-

ance of this Bond, exist, have happened and have been performed, and that the issuance and delivery of this Bond have been duly authorized by Ordinance of the City duly adopted.

IN WITNESS WHEREOF, the City of Philadelphia has caused this Bond to be properly executed by its Fiscal Agent, by two duly authorized officers thereof, and the facsimile of the seal of the City of Philadelphia to be imprinted hereon, and to be duly countersigned and attested by a facsimile signature of the City Controller, as of

CITY OF  
PHILADELPHIA

By .....  
Fiscal Agent

Countersigned and Attested By .....  
by (Facsimile Signature) Authorized Officer

City Controller By .....  
Authorized Officer

SECTION 3.03. *Form of Coupon Bond and Form of Coupon for Interest.* Coupon Bonds and the coupons thereunto appertaining shall be substantially in the following form:

(Form of Coupon Bond)

UNITED STATES OF AMERICA  
COMMONWEALTH OF PENNSYLVANIA  
CITY OF PHILADELPHIA  
GAS WORKS REVENUE BONDS

(Numerical Designation) §

(Series Designation)

%

The City of Philadelphia, Pennsylvania (the City), for value received, hereby promises to pay in lawful money of the United States of America to the bearer, or if this Bond is registered as to principal as hereinafter provided, to the registered owner hereof, on unless this

Bond shall be redeemable and shall have previously been called for redemption and payment of the redemption price made or provided for, from the rentals, revenues and moneys of the City pledged for the payment hereof pursuant to the General Gas Works Revenue Bond Ordinance of 1975 (Ordinance No.            approved           , 1975) of the City (the 1975 Ordinance) but solely therefrom and not otherwise, upon surrender hereof, the principal sum of            Dollars (\$           ), and to pay interest on such principal amount in like money, but solely from said rentals, revenues and moneys aforesaid, from the date hereof initially on            and thereafter on each subsequent            and            until payment of such principal amount, or provision therefor, shall have been made upon redemption or at or after maturity, at the annual rate shown hereon, but, with respect to interest accrued at or prior to maturity, only upon presentation and surrender of the coupons for interest hereunto appertaining as they severally mature. The principal of and interest on this Bond and the premium, if any, payable upon redemption, are payable at the principal Philadelphia office of           , Fiscal Agent of the City, in Philadelphia, Pennsylvania, or at the principal office of any successor Fiscal Agent appointed under the 1975 Ordinance.

This Bond is one of a duly authorized issue of bonds of the City designated as its Gas Works Revenue Bonds of the series designated hereon (the Bonds), limited in aggregate principal amount to \$           , issued or to be issued pursuant to The First Class City Revenue Bond Act (Act No. 234 of the Pennsylvania General Assembly approved October 18, 1972, 53 P.S. §15901) (the Act) under the 1975 Ordinance and supplemental ordinance dated           .

The Bonds, together with all previous bonds of the City, if any, issued under the 1975 Ordinance and under previous supplemental ordinances and together with all bonds of the City hereafter issued under the 1975 Ordinance and all subsequent supplemental ordinances, are and will be equally and ratably secured under the 1975 Ordinance.

have been per-  
of this Bond  
the City duly

Philadelphia has  
by its Fiscal  
Agent, and the  
City of Philadelphia to be  
and attested  
in the presence of

CITY OF  
PHILADELPHIA

Fiscal Agent

Notary Public

Notary Public

Form of Coupon  
to be presented ap-  
proving form:

PHILADELPHIA

(the City), for  
the money of  
of this Bond  
to the  
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nance by a pledge of all the rents, rates and charges imposed or charged by the City for the use of or services rendered by the Gas Works of the City and of certain other moneys derived from the Gas Works and from the investment of such revenue. The 1975 Ordinance requires such revenues to be applied in order of priority to net operating expenses, sinking fund payments required by the 1975 Ordinance, payment of general obligation bonds of the City adjudged to be self-liquidating from Gas Works revenues, debt service on other general obligation bonds issued for the Gas Works, City charges and any other proper purpose of the City.

The City covenants, so long as this Bond shall remain outstanding, to make payments of interest on the indebtedness represented by this Bond, upon surrender of the applicable coupons, out of its Gas Works Revenue Bond Sinking Fund in the amount shown on the respective coupons hereunto appertaining on each interest payment date of this Bond and to pay, upon surrender hereof, from said Sinking Fund on the maturity date hereof or, if this Bond shall be selected for mandatory or optional redemption, then on the applicable redemption date, the principal amount hereof with the applicable premium, if any.

Reference is hereby made to the 1975 Ordinance for a statement of the terms and conditions under which previous bonds, if any, have been issued, under which the Bonds are issued and under which additional bonds will be issued, and for a statement of the particular rentals, revenues and moneys pledged for the security and payment of all bonds issued under the 1975 Ordinance, the nature, extent and manner of enforcement of the security, the terms and conditions under which the 1975 Ordinance may be amended or modified, and the rights of the holders or registered owners of the Bonds with respect to such security. The City hereby represents to and covenants with the holder of this Bond that no Gas Works Revenue Bonds of the City have been or will be issued for the payment of which the holder has or shall have a prior lien on or security interest in the revenues pledged for the payment of this Bond or a prior right to

payment therefrom and that all Gas Works revenue bonds which have been or will be equally and ratably secured by such pledged revenues have and will be issued in accordance with the provisions of the 1975 Ordinance. However, nothing herein contained shall be construed to prevent the City from financing Gas Works projects by the issuance of its general obligation bonds or by the issuance of Gas Works revenue bonds under other authorization for the payment of which project revenues of the Gas Works may be pledged subject and subordinate in each fiscal year to the prior payment from such revenues of all principal, premium, interest and sinking fund requirements payable during such fiscal year under the 1975 Ordinance in respect of Gas Works Revenue Bonds issued and outstanding thereunder.

In the manner and upon the terms and conditions provided in the 1975 Ordinance,

(here insert specific provisions with respect to redemption, including, if applicable, mandatory redemption)

If less than an entire year's maturity is to be redeemed at any particular time, the Bonds or portions thereof to be redeemed shall be chosen by the Fiscal Agent by lot.

Each such redemption shall be made after notice by publication once a week for two successive weeks in not less than two or more than four daily newspapers published and of general circulation in the City of Philadelphia, Pennsylvania, the first publication to be not less than thirty (30) days nor more than sixty (60) days prior to the date fixed for redemption. Notice having been so given and provision having been made for redemption from funds on deposit with the Fiscal Agent or Sinking Fund Depository, all interest on Bonds called for redemption accruing after the date fixed for redemption shall cease, and the holders or registered owners of the Bonds called for redemption shall have no security, benefit or lien under the 1975 Ordinance or any right except to receive payment of the redemption price.

This Bond is transferable by delivery unless registered as to principal in the name of the owner on the bond register

of the City to be kept for that purpose at the principal Philadelphia Office of the Fiscal Agent, such registration to be noted hereon by the Fiscal Agent on behalf of the City. After such registration no transfer shall be valid unless made by the registered owner in person or by his duly authorized attorney and similarly noted upon said bond register and hereon. This Bond, however, may be discharged from registration by being in like manner transferred to bearer, and thereupon transferability by delivery shall be restored after which this Bond may again from time to time be registered or made transferable by delivery as before. Such registration, however, shall not affect the negotiability of the coupons for interest hereto attached, which shall always continue to be payable to bearer and to be transferable by delivery.

This Bond is exchangeable by the holder or, if registered as to principal, by the registered owner in person or by his attorney duly authorized in writing, at the principal Philadelphia office of the Fiscal Agent, but only in the manner, subject to the limitations, and upon payment of the charges provided in the 1975 Ordinance, and upon surrender of this Bond. Upon request for such exchange, the City shall issue in the name of the holder or registered owner of his nominee or in bearer form at the option of the holder or registered owner, and shall deliver in exchange for this Bond, to or upon the order of the holder or registered owner, a new registered Bond or new registered Bond in authorized denominations aggregating the principal amount hereof or a new coupon Bond or coupon Bonds of such denominations and aggregate principal amount with coupons attached representing all unpaid interest due or to become due and, in each case, maturing on the same date and bearing interest at the same rate as this Bond, and bearing the same designation as to series or subseries as this Bond.

As provided by the Act, this Bond, its transfer and the income therefrom (including any gains made on the sale thereof other than underwriting profits in a distribution thereof) shall at all times be free from taxation within and by the Commonwealth of Pennsylvania but this exemption

shall not extend to the underwriting profits or to gift, succession or inheritance taxes or any other taxes not levied directly on this Bond, the receipt of income therefrom, or the realization of gains on the sale thereof.

The City and the Fiscal Agent may treat the holder of this Bond if it shall not at the time be registered as to principal, the registered owner of this Bond if it shall at the time be so registered, and the holder of any coupon appertaining hereto, whether or not this Bond shall be so registered, as the absolute owner of this Bond or such coupon, as the case may be, for all purposes whether or not this Bond or such coupon be overdue, and neither the City nor the Fiscal Agent shall be affected by any notice to the contrary. Any consent, waiver or other action taken by the holder or registered owner hereof pursuant to the provisions of the 1975 Ordinance shall be conclusive and binding upon such holder or registered owner, his heirs, successors or assigns and upon all transferees hereof whether or not notation thereof be made hereon or on any Bond issued in exchange hereof.

In case an event of default, as defined in the 1975 Ordinance, shall occur, the principal of all bonds then outstanding under the 1975 Ordinance may be declared or may become due and payable and any such declarations may thereafter be annulled, all upon the conditions and in the manner and with the effect provided in the 1975 Ordinance and in the Act.

This Bond is a special obligation of the City payable solely from the pledged rentals, revenues and moneys and neither the credit nor the taxing power of the City is pledged for the payment of the principal of, premium, if any, or interest on this Bond, nor shall this Bond be deemed to be a general obligation of the City.

It is hereby certified that all conditions, acts and things required to exist, happen and be performed under the Act and under the 1975 Ordinance precedent to and in the issuance of this Bond, exist, have happened and have been performed, and that the issuance and delivery of this Bond

have been duly authorized by Ordinance of the City duly adopted.

IN WITNESS WHEREOF. The City of Philadelphia has caused this Bond to be properly executed by its Fiscal Agent, by two duly authorized officers thereof, and the facsimile of the seal of the City of Philadelphia to be imprinted hereon, and to be duly countersigned and attested by a facsimile signature of the City Controller, and has also caused the coupons hereto attached to be authenticated with the facsimile signature of the City Controller, as of

Countersigned and	
Attested by	CITY OF PHILADELPHIA
(Facsimile Signature)	By .....
City Controller	Fiscal Agent
	By .....
	Authorized Officer
	By .....
	Authorized Officer

(Form of Coupon)

Coupon No. §

On \_\_\_\_\_, the City of Philadelphia upon surrender of this Coupon will pay to the bearer unless the Bond hereinafter mentioned shall have been called for previous redemption and payment of the redemption price made or provided for, at the principal Philadelphia office of \_\_\_\_\_ in Philadelphia, Pennsylvania, but only out of the rentals, revenues and moneys referred to in the Bond hereinafter mentioned, the amount shown hereon, in lawful money of the United States of America, being interest then due on its Gas Works Revenue Bond, \_\_\_\_\_, dated as of \_\_\_\_\_ and numbered \_\_\_\_\_.

CITY OF PHILADELPHIA  
 By .....  
 City Controller

SECTION 3.04. *General Form, Content and Payment of Bonds.* Bonds shall be generally designated as Gas Works Revenue Bonds of the City and shall be issued in such series and within such series in such subseries as the City may from time to time determine. The aggregate principal amount of Bonds which may be issued, authenticated and delivered under this Ordinance is unlimited, but prior to issuance of each Series of Bonds, the City shall adopt a Supplemental Ordinance authorizing such Series.

The Bonds of each Series may be issued in coupon form with principal payable to bearer or registered as to principal only, in fully registered form, or may consist in whole or in part of one or more installment Bonds in fully registered form payable as to principal or subject to mandatory redemption in annual installments, or any combination of the foregoing, shall be issued in such aggregate principal amount, shall be dated on or as of such date or dates, shall be in such denominations, shall mature or be subject to mandatory redemption in such principal amounts and on such dates, shall bear interest from such date or dates and at such rate or rates, shall be subject to optional redemption at such times and upon such terms, and shall contain such other terms and conditions not inconsistent with this Ordinance or the Act, all as shall be determined by the City and set forth in the supplemental ordinance under which such bonds are issued, or as shall be determined by a designated officer or officers of the City thereunto authorized by the Supplemental Ordinance, or in the absence of such provisions or designation, as shall be determined by the Director of Finance as specified in Section 4.05.

The principal of and interest on (except the final installment of principal and the interest then payable) and the principal, premium, if any, and accrued interest payable upon partial redemption with respect to, all fully registered installment Bonds, and the interest payable in respect of fully registered Bonds, shall be payable by check or draft of the Fiscal Agent mailed to the registered owner of such Bonds at the address of such owner as it appears upon the bond register, and the records of the Fiscal Agent shall be

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PHILADELPHIA

Agent

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PHILADELPHIA

and Officer

conclusive as to such payment and shall bind such owner, his successors and assigns whether or not such payment be noted on such Bond. Except as aforesaid, the principal of all Bonds, the premium, if any, payable upon redemption thereof, and the interest on all coupon Bonds payable at or prior to maturity, shall be payable in lawful money of the United States of America at the principal Philadelphia office of the Fiscal Agent in Philadelphia, Pennsylvania, or at the principal office of a paying agent designated in such Bonds, but with respect to such principal, only upon presentation and surrender of such Bonds, or with respect to interest payable at or prior to maturity of such coupon Bonds, only upon presentation and surrender of the respective coupons for interest, except as otherwise herein provided with respect to mutilated, destroyed, lost or stolen Bonds or coupons.

Each Bond executed and delivered upon any transfer, exchange or substitution, shall carry all the rights to interest accrued and unpaid, and to accrue, which were carried by the Bond or Bonds surrendered upon such transfer or exchange, or as the case may be, the part thereof represented by such new Bond or Bonds, and notwithstanding anything to the contrary contained in this Ordinance, such new Bond, if a fully registered Bond, shall be so dated, and, if a coupon Bond, shall have attached thereto such coupons, that neither gain nor loss in interest shall result from such transfer, exchange, or substitution.

The foregoing provisions of this Section, any other provision in this Ordinance to the contrary notwithstanding, are subject to the express understanding that the principal of and interest on all Bonds issued hereunder and the premium, if any, payable on redemption thereof, shall be payable only from the rentals, revenues and moneys of the City pledged for the payment thereof pursuant to this Ordinance and not otherwise.

*SECTION 3.05. Registration of Bonds, Registrar, Bond Register.* The City shall keep or cause to be kept at the principal Philadelphia office of the Fiscal Agent, books for

the registration and transfer of Bonds entitled to registration and transfer; and the City will register or transfer or cause to be registered or transferred therein, as hereinafter provided and under such reasonable regulations as may be prescribed by the Director of Finance, any Bonds entitled to be so registered or transferred, upon presentation for such purpose. The Fiscal Agent is hereby appointed the registrar of the City for the purpose of registering, transferring and exchanging the Bonds. The books kept pursuant to this Section are herein and in the Bonds referred to as the bond register.

SECTION 3.06. *Bonds are Negotiable Instruments.* The Bonds shall have the qualities of negotiable instruments under the law merchant and the laws pertaining to negotiable instruments of the Commonwealth of Pennsylvania, subject to the provisions for registration and transfer contained in Section 3.07 and 3.08 and in the Bonds.

SECTION 3.07. *Transfer of Coupon Bonds.* All coupon Bonds shall be negotiable and title thereto shall pass by delivery unless registered as to principal in the manner hereinafter provided. The bearer of any coupon Bond may have the ownership of the principal thereof registered on the bond register required to be kept pursuant to Section 3.05, and such registration shall be noted on the Bond. After such registration no transfer shall be valid unless made on such books by the registered owner in person, or by his duly authorized attorney, and similarly noted on the Bond; but such Bond may be discharged from registration by being in like manner transferred to bearer, and thereupon transferability by delivery shall be restored; and such Bond may again, from time to time, be registered or discharged from registration in the same manner as before. Such registration, however, shall not affect the negotiability by delivery of the coupons, but every such coupon shall continue to be transferable by delivery and shall remain payable to bearer.

SECTION 3.08. *Registration and Transfer of Fully Registered Bonds.* The names and addresses of the registered

owners of all fully registered Bonds together with a brief description of the Bonds so registered shall be recorded in the bond register. Any fully registered Bond may be transferred at the principal Philadelphia office of the Fiscal Agent or surrendered for transfer at the principal office of one of the paying agents designated in such Bond, upon surrender of such Bond accompanied by delivery of a written instrument of transfer in form approved by the Director of Finance, duly executed by the registered owner of such Bond or his duly authorized attorney, and thereupon the City and the Fiscal Agent shall execute in the name of the transferee or transferees, and the Fiscal Agent shall deliver, a new fully registered Bond, or new fully registered Bonds, of like form, of the same Series, bearing the same rate of interest, of the same maturity, and for the same aggregate principal amount.

SECTION 3.09. *Exchange of Bonds.* All Bonds of any Series issued hereunder shall be exchangeable for like Bonds of different authorized denominations or for Bonds in different form of the same Series, as the case may be, and, in each case, in the same aggregate principal amount, maturing on the same dates and bearing the same rate of interest as the Bonds to be exchanged, all in the manner hereinafter provided. The holder of any bearer coupon Bond or Bonds or the registered owner of any registered Bond or Bonds desiring to exchange such Bond or Bonds shall surrender (or, in the case of registered Bonds, shall cause his attorney thereunto duly authorized to surrender) such Bond or Bonds in negotiable form or, as the case may be, accompanied by an appropriate instrument of transfer, together with all unmatured coupons appertaining to coupon Bonds so surrendered, at the principal Philadelphia office of the Fiscal Agent or at the principal office of one of the paying agents designated in the Bonds, together with a written request for exchange, in form approved by the Director of Finance, setting forth the form of Bond or Bonds requested to be issued in exchange, the denomination or denominations thereof and, if to be issued in partial or fully registered form, the person or persons in whose name

such Bonds are to be registered. Thereupon and subject to the provisions of Section 3.10, the City and the Fiscal Agent shall execute and deliver to the persons thereunto entitled a new Bond or new Bonds in the form requested in authorized denominations aggregating the principal amount of the Bond or Bonds surrendered, maturing as to principal on the same date or dates, bearing the same rate of interest, and bearing the same designation as to series. All fully registered Bonds issued in exchange for Bonds of any series shall be dated on the date of issuance thereof and shall bear interest from the date from which interest was initially payable with respect to such Series or from the next preceding interest payment date of such Series, whichever is later, or, if the date of authentication shall be an interest payment date of such Series, from such date. All coupon Bonds issued in exchange for Bonds of any Series shall be dated as of the date of the initial issuance of such Series and all matured coupons shall be removed from such Bonds prior to their authentication and delivery in exchange. For the purpose of exchange, a fully registered installment Bond shall be deemed to represent separate Bonds each in the amount and of the maturity of the annual installments of principal provided for in such Bond.

*SECTION 3.10. Cost of Bond Registration, Transfer or Exchange. Miscellaneous Provisions Governing Transfers and Exchanges.* Registration, transfer, discharges from registration, and exchanges of Bonds authorized under this Article shall be without expense to the Holders of such Bonds, but any taxes or other governmental charges required to be paid with respect to the same shall be paid by the Holder requesting any such transaction, as a condition precedent to the exercise of such privilege.

The City shall not be required to make (a) any exchange or transfer of any Bonds during the period of fifteen business days next preceding any interest payment date for such Bonds, or (b) any exchange or transfer of any Bonds during the period of twenty business days next preceding the first publication or mailing of any notice of redemption of such Bonds.

All Bonds surrendered for exchange and the coupons, if any, attached thereto and all registered Bonds without coupons surrendered for transfer, shall be cancelled as the principal thereof and the coupons severally become due and payable and after such due date, may be cremated, shredded or otherwise destroyed by the Fiscal Agent.

All Bonds executed, authenticated and delivered in exchange for Bonds surrendered or upon the transfer of registered Bonds shall be valid obligations of the City, evidencing the same debt as the Bonds surrendered, and shall be secured by this Ordinance to the same extent as such surrendered Bonds.

SECTION 3.11. *Ownership of Bonds.* The City, the Fiscal Agent and any paying agent designated in any Bond may treat the holder of any coupon Bond if it shall not at the time be registered as to principal, the registered owner of any coupon Bond if it shall at the time be so registered, the holder of any coupon appertaining to a coupon Bond whether or not such coupon Bond shall be so registered, and the registered owner of any fully registered Bond, as the absolute owner of such Bond or such coupon, as the case may be, for all purposes whether or not such Bond or such coupon shall be overdue, and neither the City, the Fiscal Agent nor any paying agent shall be affected by any notice to the contrary. Any consent, waiver or other action taken by the holder of any bearer coupon Bond or by the registered owner of any Bond other than a bearer coupon Bond pursuant to the provisions of this Ordinance shall be conclusive and binding upon such Holder, his heirs, successors or assigns, and upon all transferees of such Bond whether or not notation of such consent, waiver or other action shall have been made on such Bond or on any Bond issued in exchange therefor.

SECTION 3.12. *Definitive and Temporary Bonds.* Bonds in definitive form shall be fully engraved or printed or lithographed on steel engraved borders. Until Bonds in definitive form of any Series are ready for delivery, the City and the Fiscal Agent may execute, and, upon the request

of the City in writing, the Fiscal Agent shall deliver in lieu of any such Bonds, and subject to the same provisions, limitations and conditions, one or more printed, lithographed or typewritten Bonds in temporary form, substantially of the tenor of the Bonds hereinbefore described, without coupons or with one or more coupons, and with appropriate omissions, variations and insertions. Such Bond or Bonds in temporary form may be for the amount of any authorized denomination or any multiple thereof, as the Director of Finance may determine. Until exchanged for Bonds in definitive form such Bonds in temporary form shall be entitled to the benefit of this Ordinance. Unless otherwise agreed with the Holder of such temporary Bond or Bonds, the City shall, without unreasonable delay, prepare, execute and deliver to the Fiscal Agent, and thereupon, upon the presentation and surrender of any Bond or Bonds in temporary form, the Fiscal Agent shall execute and deliver, in exchange therefor, a Bond or Bonds in definitive form of the same Series and same maturity for the same aggregate principal amount as the Bond or Bonds in temporary form surrendered. Such exchange shall be made by the City at its own expense and without making any charge therefor. Until such Bonds in definitive form are ready for delivery, the Holder of one or more Bonds in temporary form may, with the consent of the City, exchange the same, upon surrender thereof to the Fiscal Agent for cancellation, for Bonds in temporary form of like aggregate principal amount, of the same Series and maturity, in authorized denominations and bearing all unmatured coupons, if any.

**SECTION 3.13. Execution of Bonds.** The Bonds shall be executed on behalf of the City by the Fiscal Agent by the manual signatures of two of its duly authorized officers, under the seal of the City which shall be either affixed or reproduced thereon in facsimile and shall be countersigned and attested by the manual or facsimile signature of the Controller, all in accordance with the Act of March 24, 1949, P. L. 312, or in such other manner as shall be authorized by law and prescribed by supplemental ordinance.

The coupons attached to coupon Bonds shall be executed on behalf of the City by the facsimile signature of the City Controller. Any such Bonds or coupons may be executed, issued and delivered notwithstanding that one or more of the officers signing such Bonds or whose facsimile signature shall be upon such Bonds or coupons or any thereof, shall have ceased to be such officer or officers at the time when such Bonds shall actually be delivered, and although at the nominal date of the Bond any such person shall not have been such officer.

*SECTION 3.14. Mutilated, Destroyed, Lost or Stolen Bonds.* Upon receipt by the Fiscal Agent and the City of evidence satisfactory to both of them that any outstanding Bond or coupon has been destroyed, lost or stolen, and of indemnity satisfactory to both of them, then, in the absence of notice to the City or to the Fiscal Agent that such Bond or coupon, if alleged to have been lost or stolen, has been acquired by a bona fide purchaser, or if a Bond or coupon has been mutilated, the City in its discretion acting through the Director of Finance, may execute and deliver a new bond of the same Series and same maturity and of like tenor (which shall have attached the same corresponding coupons, if any, as the mutilated, destroyed, lost or stolen Bond if such Bond were a coupon Bond) in exchange and substitution for, and upon surrender and cancellation of, the mutilated Bond and coupons, if any, or in lieu of and in substitution for the Bond and coupons, if any, so destroyed, lost or stolen.

The City may, for each new bond authenticated and delivered under the provisions of this Section, require the payment of the expenses, including counsel fees, which may be incurred by the City and the Fiscal Agent in the premises. In case any such mutilated, lost or stolen Bond or coupon has become or is about to become due and payable, the City, in its discretion, may, instead of issuing a new Bond or coupon, direct the payment thereof at maturity and the Fiscal Agent shall thereupon pay the same.

Any Bond or coupon issued under the provisions of this Section in lieu of any Bond or coupon alleged to be de-

stroyed, lost or stolen shall constitute an original additional contractual obligation on the part of the City whether or not the Bond or coupon so alleged to be destroyed, lost or stolen be at any time enforceable by anyone, and shall be equally and proportionately entitled to the benefits of this Ordinance with all other Bonds and coupons issued under this Ordinance.

SECTION 3.15. *Installment Bonds—Interim Certificates.* Nothing in this Ordinance shall be construed to prohibit the authorization by supplemental ordinance of installment Bonds in the forms above provided with appropriate modifications or to prohibit the issuance of interim certificates pending the delivery of definitive Bonds in such form as shall be approved by the City Solicitor.

#### SECTION 4.

### ARTICLE IV ISSUANCE OF BONDS—SUPPLEMENTAL ORDINANCES

SECTION 4.01. *Purpose of Bonds.* The Bonds issued under this Ordinance shall be issued for the purpose of paying the cost of projects, as such term is defined in the Act, related to the Gas Works, of reimbursing any fund of the City from which such costs shall have been paid or advanced, of funding any of such costs for which the City shall have outstanding bond anticipation notes or other obligations, of refunding any Bonds of the City issued for the foregoing purposes under the Act, or of refunding general obligation bonds of the City issued for the foregoing purposes.

SECTION 4.02. *Pledge of Revenues; Grant of Security Interest; Application of Revenues.* The City hereby pledges for the security and payment of all Bonds and coupons, if any, issued under this Ordinance and hereby grants a security interest in, all rents, rates and charges imposed or charged by the City upon the owners or occupants of properties connected to, and upon all users of, gas distributed by the Gas Works and all other revenues

derived therefrom (the Project Revenues) as such term is defined in the Act and all accounts, contract rights and general intangibles representing the Project Revenues, and in each case, the proceeds of the foregoing. For the purpose of compliance with the filing requirements of the Uniform Commercial Code in order to perfect the security interest herein granted, the Fiscal Agent shall be deemed to be and the City hereby recognizes the Fiscal Agent as, the representative of bondholders to execute financing statements as the secured party. Subject to the provisions of Section 7.02 hereof, all Project Revenues as and when collected in each fiscal year shall be applied first to Net Operating Expenses; second, to required payments into the Sinking Fund herein created to pay the principal of and interest on all Bonds issued hereunder and, if required, to accumulate, or to restore any deficiency in, the Sinking Fund Reserve; third, to the payment of any general obligation bonds adjudged to be self-liquidating on the basis of such expected revenues; fourth, to the payment of interest and sinking fund charges of other general obligation debt incurred for the Gas Works, and fifth, to the payment of City Charges. Any balance remaining may be applied to any proper purpose of the City. The foregoing provisions shall not be construed to require the segregation upon collection of revenues prior to default in the payment of the principal of and interest on Bonds.

SECTION 4.03. *Particular Covenants.* The City covenants with the Holders of all Bonds from time to time and at the time outstanding under this Ordinance, that so long as any such Bonds shall remain outstanding:

- (a) No Bonds will be issued by the City hereunder or under any ordinance supplemental hereto unless the financial report of the chief fiscal officer of the City required by Section 8 of the Act to be filed with the City Council shall be accompanied by an engineering report of an independent consulting engineer or an independent firm of consulting engineers, in either case having broad experience in the design and analysis of the operation of gas works or gas distribution systems of the magni-

tude and scope of the Gas Works and a favorable reputation for competence in such field (the Engineers) setting forth the qualifications of the Engineers and:

(i) containing a statement that the Engineers have made such investigation of the physical properties included in the Gas Works and of the books and records of the Gas Works maintained by the City or by the Manager, as they deemed necessary; and

(ii) on the basis of such investigation containing:

(aa) the same matters, statements and opinion as are required by Section 3 of the Act to be contained in the financial report of the chief fiscal officer supported by appropriate schedules and summaries;

(bb) a statement that the Gas Works rents, rates and charges, on the basis of which the statements required by the foregoing clause (aa) are made, are currently and will be sufficient to comply with the Rate Covenant set forth in Section 4.03(b); and

(cc) a statement that, in the opinion of the engineers, 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 Project Revenues (as defined in the Act) 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) 150% of the amount required to pay sinking fund requirements for principal of and interest on all Bonds issued and outstanding hereunder which will become due and payable during such Fiscal Year; and

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

B. The sum of:

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

(ii) all Sinking Fund deposits required during such Fiscal Year in respect of all outstanding Bonds and in respect of all outstanding 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.

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.

(c) It will pay or cause the Fiscal Agent or paying agent to pay from the Project Revenues deposited in the Sinking Fund the principal of, premium, if any, and interest on all Bonds as the same shall become due and payable and as more particularly set forth in the Bonds.

(d) It will continuously maintain in good condition and continuously operate the Gas Works.

(e) It will not in any Fiscal Year pay from the Project Revenues any City Charges or deposit from the Project Revenues in the general sinking fund of the City any sinking fund charges in respect of general obligation bonds of the City unless prior thereto or concurrently therewith all sinking fund charges in respect of Bonds issued and outstanding hereunder for such Fiscal Year, then payable, shall have been deposited in the Sinking Fund created hereby.

(f) It will not refund from the proceeds of Bonds any debt of the City represented by general obligation bonds or notes issued prior to January 1, 1974.

(g) That it has, by Ordinance, authorized the imposition of rates and charges by the Gas Commission sufficient from time to time to comply with Rate Covenant set forth in Section 4.03(b) and that it will not repeal or materially adversely dilute such authorization.

(h) It will, not later than 120 days following the close of each Fiscal Year, file with the Fiscal Agent a report of the operation of the Gas Works setting forth, among other things, in reasonable detail financial data concerning the Gas Works for such Fiscal Year, including a balance sheet, statements of income, equity, and changes in financial condition, and an analysis of funds available to cover debt service (in each case not inconsistent with the statements of income, expenses, and other accounts of the City audited by the City Controller) prepared by the Manager of the Gas Works in accordance with generally recognized municipal accounting principles consistently applied, showing compliance with the Rate Covenant, accompanied by a certificate of the Manager of the Gas Works that the Gas Works are in good operating condition and by a certificate of the Director of Finance that as of the date of such report the City has complied with all of the covenants in this Ordinance and in all ordinances supplemental hereto on its part to be performed. Such report shall be furnished to the Fiscal Agent in such reasonable number of copies as shall be required to meet the written requests of Bondholders therefor on a first come first served basis. The Fiscal Agent shall keep on file a copy of each report and its accompanying certificates for a period of ten (10) years and shall exhibit the same to, and permit the copying thereof by, any Bondholder or his authorized representative at all reasonable times.

SECTION 4.04. *Bonds to be Parity Bonds.* All bonds issued hereunder shall be parity Bonds equally and ratably secured by the pledge of and grant of security interest in, the Project Revenues without preference, priority or distinction as to lien or otherwise, except as otherwise here-

inafter provided, of any one Bond or coupon over any other Bond or coupon or as between principal and interest.

The City hereby reserves the right, and nothing herein shall be construed to impair such right, to finance improvements to its Gas Works by the issuance of its general obligation bonds or by the issuance, under ordinances other than Supplemental Ordinances, of Gas Works bonds for the payment of which Project Revenues of the Gas Works may be pledged subject and subordinate in each Fiscal Year to the prior payment from such revenues of all principal, premium, interest and sinking fund requirements payable during such Fiscal Year under this Ordinance, as from time to time supplemented and amended, in respect of Bonds.

*SECTION 4.05. Sale of Bonds; Taxes Not to be Assumed; Terms and Provisions; Authority of Director of Finance.* To the extent, pursuant to Section 4.06, that the Supplemental Ordinance authorizing any Series of Bonds hereunder shall not otherwise provide:

(a) All bonds shall be sold at public, private or invited sale as a majority of the Mayor, the City Controller and the City Solicitor may determine to be in the best interest of the City and, if sold at competitive public sale, shall be sold to the purchaser or purchasers submitting the highest and best bid upon such terms and conditions of the bidding as shall be specified in an official notice of sale issued in the name of the City by the Director of Finance;

(b) no covenant to pay or assume any taxes shall be included in such Bonds; and

(c) subject to the foregoing, the terms upon which or the prices for which the Bonds are to be sold or exchanged, and the form, terms and provisions of the Bonds including, without limitation, the matters referred to in Section 5 of the Act, and in the second paragraph of Section 3.04 of this Ordinance shall be determined by the Director of Finance who is hereby

designated as the officer of the City to make such determinations based, to the extent applicable, on the prices, interest rates or other terms set forth in the highest and best proposal conforming to the bidding specifications as ascertained and accepted on behalf of the City by the Director of Finance.

SECTION 4.06. *Conditions of Issuing Bonds, Supplemental Ordinance; Filing of Transcript; Use of Proceeds; Refunding Bonds.* Prior to the issuance of any series of Bonds, the Council shall adopt an ordinance supplemental hereto specifying the aggregate principal amount or maximum aggregate principal amount, and authorizing the issuance of such Bonds; stating that such Bonds are issued in respect of capital costs of a Gas Works project or projects of the City or to fund or refund bond anticipation or other obligations of the City issued in respect thereof or for the purpose of refunding debt issued for such purpose; making a finding based on the report of the Director of Finance of the City required by Section 8 of the Act that the Project Revenues pledged hereunder will be sufficient to comply with the Rate Covenant and also to pay all costs, expenses and payments required to be paid therefrom and in the order and priority stated in Section 4.02; and containing the covenant as to the payment of debt service required by Article IX, Section 10 of the Pennsylvania Constitution. Such Supplemental Ordinance may specify such form, terms and provisions of the Bonds to be issued thereunder, may specify a particular method of sale; may specify the terms upon which, or the prices for which, the Bonds are to be sold or exchanged, including, if applicable, competitive bidding specifications; may contain such amendments to this Ordinance, including amendments or rescission of the covenants herein contained, and may contain or authorize such further covenants and agreements, including such covenants as may be appropriate under existing regulations so that the Bonds may not be deemed to be "arbitrage bonds" as such term is defined in the Internal Revenue Code and applicable regulations, all as the Council may deem appropriate and proper and as shall be authorized

or permitted by the Act but no such amendments, provisions, terms, covenants or agreements (other than those permitted under Section 3.01 and adopted pursuant thereto) which shall be inconsistent with the provisions of, or if they would impair a prior covenant contained in, this Ordinance as at the time amended or supplemented, shall become effective until all Bonds the holders of which are entitled to the protection of, or to enforce compliance with such prior covenant, shall cease to be outstanding.

Prior to the issuance of any Series of Bonds hereunder the Director of Finance shall, in addition to the filing requirements of Section 12 of the Act, file with the Fiscal Agent a transcript of the proceedings authorizing the issuance of such Series of Bonds which shall include (i) a certified copy of this Ordinance (unless previously so filed); (ii) a certified copy of the Supplemental Ordinance; (iii) an executed or certified copy of the report of the Director of Finance required by subsection (a) of Section 8 of the Act; (iv) an executed copy of the opinion of the City Solicitor required by subsection (b) of Section 8 of the Act; (v) an executed copy of the Engineer's report required by subsection (a) of Section 4.03; and (vi) a certificate of the Director of Finance that there is no default in the payment of the principal of, interest on, or premiums, if any, payable in respect of, any Bonds, that the amounts currently on deposit in the Sinking Fund Reserve meet the requirements of Section 6.04 that the report for the latest completed Fiscal Year required to be filed pursuant to subsection (h) of Section 4.03 has been filed and that during such Fiscal Year the City was in compliance with the Rate Covenant as therein shown, and that the City is currently in compliance with the Rate Covenant and all other covenants contained in this Ordinance and all Supplemental Ordinances, and thereupon the proper officers of the City and the Fiscal Agent shall be authorized to execute and deliver the Bonds so authorized, to receipt for the purchase price thereof and to execute and deliver on behalf of the City the usual closing statements, affidavits and certificates.

The Director of Finance, the City Solicitor, the City Controller and such other officers of the City as may be appropriate are authorized in connection with the issuance of any Series of Bonds hereunder, to prepare, execute and file on behalf of the City such statements, documents or other material as may accurately and properly reflect the financial condition of the City or other matters relevant to the issuance or payment of such Bonds and as may be required or appropriate to comply with applicable state or federal laws or regulations.

Unless otherwise provided in the Supplemental Ordinance, the proceeds of sale of all Bonds issued hereunder shall be deposited in the consolidated cash account of the City to the credit of the capital improvement funds and shall be disbursed therefrom, in accordance with established procedures, for the costs of the project or projects (as such term is defined in the Act) for which the Bonds were issued *provided*, however, that if such Bonds shall be issued for the purpose of funding or refunding bonds or notes previously issued by the City such proceeds shall, unless otherwise directed by the Supplemental Ordinance, be deposited in a special account in the Sinking Fund hereinafter authorized and deposited, invested (if appropriate) and disbursed under the direction of the Director of Finance for the purpose of retiring the bonds or notes being funded or refunded.

If the City shall, by Supplemental Ordinance, authorize the issuance of revenue refunding bonds pursuant to Section 10 of the Act, in the absence of specific direction or inconsistent authorization contained in the Supplemental Ordinance, the Director of Finance is hereby authorized in the name and on behalf of the City to take all such action, including the irrevocable pledge of proceeds and/or the income and profit from the investment thereof for the payment and redemption of the funded or refunded bond or notes and including the publication of all required redemption notices or the giving of irrevocable instructions therefor, as may be necessary or appropriate to accom-

plish the funding or refunding and to comply with the requirements of Section 10 of the Act.

SECTION 5.

ARTICLE V  
REDEMPTION OF BONDS

SECTION 5.01. *Bonds May Be Subject to Redemption.* Bonds of any Series may be subject to either optional or mandatory redemption at the times, in the order, in the amounts, at the redemption prices, and other such terms, conditions and restrictions, all as may be set forth in the Supplemental Ordinance authorizing the issuance of such series or, in the absence of such provisions, as may be set forth in the Bonds at the direction of the Director of Finance and shall be set forth in the official notice of sale.

SECTION 5.02. *Notice, Selection by Lot.* Whenever the City shall, by ordinance of Council, determine to redeem all or part of the Bonds of any series in accordance with the right reserved so to do, or when the City or the Fiscal Agent shall be required to redeem Bonds pursuant to mandatory redemption provisions, the City or the Fiscal Agent, as the case may be, shall cause a notice of intention to redeem, signed in the name of the City by the Fiscal Agent, to be published once a week for two consecutive weeks, the first publication to be at least thirty days and not more than sixty days before the redemption date, in not less than two nor more than four daily newspapers published in the English language and of general circulation in the City. At least thirty days before the redemption date the Fiscal Agent shall mail such notice to each registered owner appearing upon the bond register of the registered Bonds to be redeemed, but failure so to mail any such notice shall not affect the validity of the proceedings for redemption. Such notice shall specify, unless a pertinent Supplemental Ordinance shall otherwise provide, the Series and the maturities of the Bonds so to be redeemed and also, if less than all then outstanding Bonds of a maturity are to be redeemed, the numbers of the Bonds to be redeemed which may be expressed in designated blocks, if applicable, and the date

fixed for redemption, the redemption price and the place of payment, and shall further state that, from and after such date, interest thereon will cease to accrue.

In connection with the redemption of less than all the Bonds of a particular maturity or series, the Fiscal Agent shall draw by lot the number of the Bonds to be redeemed in such manner as it shall deem proper unless the Supplemental Ordinance establishing the terms and provisions of such Bonds or the redemption provisions of the particular Bonds provides that they shall be redeemable in the order or inverse order of their numbers or that such Bonds shall be redeemable in the order or inverse order of their maturities and all Bonds of a particular maturity or maturities are being redeemed. For the purpose of any drawing, the Fiscal Agent shall assign a number for each basic denomination.

**SECTION 5.03. Effect of Redemption, Payment.** Notice having been given in the manner hereinbefore provided in this Article or irrevocable instructions to give such notice having been delivered to the Fiscal Agent to pay said Bonds or portions thereof, and funds complying with the provisions of subparagraph (1) of Section 10 of the Act having been deposited in trust with the Fiscal Agent or having been set aside with the Sinking Fund Depository in a special account in the Sinking Fund, prior to the date fixed for redemption, the Bonds or portions thereof so called for redemption, shall become due and payable on the redemption date so designated, and interest on such Bonds or portions thereof shall cease from such redemption date, whether such Bonds be presented for redemption or not, and the coupons representing the interest on any of said Bonds thereafter to accrue shall from that date be void and of no effect. The principal amount of all Bonds or portions thereof so called for redemption, together with the premium, if any, and accrued interest thereon, shall be paid by the Fiscal Agent, upon presentation and surrender thereof in negotiable form, accompanied by coupons, if any, representing such interest. All coupons maturing sub-

sequent to the date of redemption must accompany each Bond so redeemed.

SECTION 5.04. *Partial Redemption.* Upon presentation of any Bond which is to be redeemed in part only, the City and the Fiscal Agent shall execute and deliver to the Holder thereof, at the expense of the City a new Bond or Bonds of authorized denominations in principal amount equal to and of the same Series and maturity as the unredeemed portion of the Bond or Bonds so presented, which new Bond or Bonds shall, at the option of the Holder, either be a coupon Bond or Bonds with all unmatured coupons thereto appertaining or a registered Bond or Bonds without coupons.

SECTION 6.

ARTICLE VI  
SINKING FUND

SECTION 6.01. *Establishment of Sinking Fund.* There is hereby established a sinking fund to be known as the City of Philadelphia Gas Works Revenue Bond Sinking Fund (referred to in this Ordinance as the Sinking Fund) for the benefit and security of the Holders of all Bonds. The Sinking Fund shall be held in the name of the City in an account or accounts separate and apart from all other accounts of the City and payments therefrom shall be made only as hereinafter in this Ordinance provided.

The City covenants and the Director of Finance is directed to deposit in, and there is hereby appropriated to, the Sinking Fund from the pledged revenues in each Fiscal Year such amounts as will, together with interest and profits earned and to be earned on investments held therein, be sufficient to accumulate, on or before each interest and principal payment date of the Bonds, the amounts required to pay the principal of and the interest on the Bonds then becoming due and payable. Payment into the Sinking Fund shall be scheduled at such times and in such amounts in relation to the receipt of revenues and the operation and maintenance requirements of the Gas Works as the Director of Finance shall determine.

SECTION 6.02. *Fiscal Agent.* Such state or federally chartered bank as may from time to time be appointed by the City in accordance with law, shall act as Fiscal Agent in respect of all Bonds issued under this Ordinance or in respect of any particular issue or issues of Bonds. The Fiscal Agent shall also act as Sinking Fund Depository of the Sinking Fund, and as paying agent and registrar of the Bonds in respect of which it is the Fiscal Agent. Nothing in this Ordinance shall be construed to prevent the City from engaging other or additional Fiscal Agents from time to time or from engaging other or additional sinking fund Depositories, paying agents or registrars of the Bonds or any series thereof.

Subject to the foregoing, the proper officers of the City are authorized to enter into contracts or to confirm existing agreements governing the maintenance of accounts and records, the disposal of cancelled Bonds and coupons, the rights, duties, privileges and immunities of the Fiscal Agent, and such other matters as are authorized by the Act and as are customary and appropriate and to confirm the agreement of the Fiscal Agent, in its several capacities, to comply with the provisions of the Act and of this Ordinance.

SECTION 6.03. *Payments From the Sinking Fund.* The Sinking Fund Depository shall, on direction of the Director of Finance, or if for any reason he should fail to give such direction, on the direction of the Fiscal Agent, liquidate investments, if necessary, and pay over from the Sinking Fund in cash to the Fiscal Agent not later than the due date thereof the full amount of the principal, interest on, and premium, if any, payable upon redemption of, all Bonds.

Any excess moneys in the Sinking Fund, including any excess amount in the Sinking Fund Reserve and moneys for the payment of the interest, principal and premium of bonds unclaimed after the due date for two years, shall be repaid to the City but such repayment shall not discharge the obligation, if any, for which such moneys were previously held in the Sinking Fund.

SECTION 6.04. *Sinking Fund Reserve.* There is hereby established a Sinking Fund Reserve which shall be held by the Sinking Fund Depository as part of the Sinking Fund but for which separate accounts shall be maintained. Unless otherwise provided in the applicable Supplemental Ordinance in compliance with this Section 6.04, the City shall, under direction of the Director of Finance, deposit in the Sinking Fund Reserve from the proceeds of sale of each Series of Bonds issued hereunder, an amount equal to the maximum amount required in any Fiscal Year to pay the principal of and interest on the Bonds of such Series becoming due and payable in such Fiscal Year. The money and investments (valued at market) in the Sinking Fund Reserve shall be held and maintained in an amount equal at all times to the maximum principal and interest requirements in any subsequent Fiscal Year of all bonds issued and outstanding hereunder, provided that if the Supplemental Ordinance authorizing a Series of Bonds shall authorize the accumulation from Project Revenues of a reserve of such amount in respect of such Bonds over a period of not more than six Fiscal Years after the issuance and delivery of such Bonds, then the full payment of the annual deposits required under such Supplemental Ordinance will meet the Sinking Fund Reserve requirement of this Ordinance in respect of such Bonds.

If, at any time and for any reason, the moneys in the Sinking Fund, other than in the Sinking Fund Reserve, shall be insufficient to pay as and when due, the principal of (and premium if any) or interest on any Bond or Bonds, the Sinking Fund Depository is hereby authorized and directed to withdraw from the Sinking Fund Reserve and pay over to the Fiscal Agent the amount of such deficiency. If by reason of such withdrawal or for any other reason there shall be a deficiency in the Sinking Fund Reserve, the City hereby covenants to restore such deficiency as required by Section 7.02.

SECTION 6.05. *Management of the Sinking Fund.* To the extent that debt service in respect of any Series of Bonds shall not be financed as a part of the cost of the

project or projects for which the Bonds are issued, in which case the amount of the debt service financed shall be deposited in the Sinking Fund from the proceeds of Bonds. sinking fund payments from the pledged revenues in respect of each Series of Bonds shall commence during the six-month period immediately preceding the first interest payment date of each Series for which debt service has not been completely funded and in any event not later than one year subsequent to the estimated completion or acquisition of projects to be constructed or acquired as estimated by the Manager of the Gas Works and, in all other cases, not later than one year subsequent to the date of the Bonds. The moneys, including interest bearing deposits, in the Sinking Fund to the extent not otherwise invested and to the extent not insured, shall be secured as required by the Act and, to the extent not currently required for the payment of debt service, shall be continuously invested and reinvested in securities or interest bearing deposits authorized by the Act, all at the direction and under the management of the Director of Finance. Interest and profits from such investments shall be added to the Sinking Fund and credited in reduction of or to complete required deposits into the Sinking Fund.

*SECTION 6.06. Consolidated Fund.* The Sinking Fund shall be a consolidated fund for the equal and proportionate benefit of the holders of all Bonds from time to time outstanding hereunder and may be invested and reinvested on a consolidated basis. The principal of and interest on and profits (and losses if any) realized on investments in the Sinking Fund shall be allocated prorata for the Series or the specific Bonds in respect of which such investments were made without distinction or priority but moneys (and the investments thereof) specifically deposited for the payment of any particular installment of principal, interest or premium shall be held and applied exclusively to the payment of such particular principal, interest or premium.

## SECTION 7.

ARTICLE VII  
DEFAULTS AND REMEDIES

SECTION 7.01. *Defaults and Statutory Remedies.* If the City shall fail or neglect to pay or to cause to be paid the principal of, redemption premium, if any, or the interest on any Bond or any Series of Bonds issued hereunder, whether at stated maturity or upon call for prior redemption, or if the City shall fail to comply with any provision of the bonds or with any covenant of the City contained in this Ordinance or an applicable Supplemental Ordinance then, under and subject to the terms and conditions stated in the Act, the Holder or Holders of any Bond or Bonds shall be entitled to all of the rights and remedies, including the appointment of a trustee, provided in the Act.

SECTION 7.02. *Additional Remedies.* If the City shall fail or neglect to make deposits into the Sinking Fund, including the Sinking Fund Reserve, in the amounts and at the times required by this Ordinance and as provided in the Bonds or if, for any reason, there shall be insufficient moneys on deposit in the Sinking Fund for the payment in full of the principal (and premium, if any) or of interest on the Bonds as and when the same shall from time to time become due and payable, then the City covenants that it will without notice thereof from any Bondholder, fiscal agent, paying agent or sinking fund depository, and so long as such default shall continue, immediately upon such default deposit in the Sinking Fund, on a daily basis, 50% of all pledged revenues of the Gas Works, or such greater percentage thereof as the Director of Finance shall determine. The covenant of this Section 7.02 shall be specifically enforceable by any trustee appointed pursuant to Section 20 of the Act or if there be no such trustee appointed, then by the Holder of any Bond outstanding.

SECTION 7.03: *Remedies Not Exclusive; Effect of Delay In Exercise of Remedies.* No remedy herein or in the Act conferred upon or reserved to the trustee, if any, or to the Holder of any bond is intended to be exclusive (except as

specifically provided in the Act) of any other remedy or remedies, and each and every such remedy shall be cumulative, and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute.

No delay or omission of the trustee, if one be appointed, or of any Holder of the Bonds to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default, or an acquiescence therein; and every power and remedy given by this Article, by the Act or otherwise may be exercised from time to time, and as often as may be deemed expedient.

SECTION 7.04. *Remedies to be Enforced Only Against Pledged Revenues.* Any decree or judgment for the payment of money against the City by reason of default hereunder shall be enforceable only against the pledged revenues and the investments thereof and no decree or judgment against the City upon an action brought hereunder shall order or be construed to permit the occupation, attachment, seizure, or sale upon execution of any other property of the City.

SECTION 8.

## ARTICLE VIII

### AMENDMENTS AND MODIFICATIONS

SECTION 8.01. In addition to the adoption of Supplemental Ordinances supplementing and/or amending this Ordinance as provided in Section 4.06 in connection with the issuance of successive series of bonds, this Ordinance and any Supplemental Ordinance may be further supplemented, modified or amended: (a) to cure any ambiguity, formal defect or omission herein or therein; (b) to grant to or confer upon Bondholders, or a trustee, if any, for the benefit of Bondholders any additional rights, remedies, powers, authority, or security that may be lawfully granted

or conferred; (c) to comply with any mandatory provision of state or federal law or with any permissive provision of such law or regulation which does not substantially impair the security or right to payment of the Bonds but no amendment or modification shall be made with respect to any outstanding Bonds to alter the amount, rate or time of payment, respectively; of the principal thereof or the interest thereon or to alter the redemption provisions thereof without the written consent of the Holders of all affected outstanding Bonds; and (d) except as aforesaid, in such other respect as may be authorized in writing by the Holders of 67% in principal amount of the Bonds outstanding and affected. Bonds which have become due and payable on a fixed redemption date in accordance with Section 5.03 shall be deemed to be not outstanding.

SECTION 9.

ARTICLE IX  
MISCELLANEOUS

SECTION 9.01. *Ordinances are Contracts With Bondholders.* This Ordinance and Supplemental Ordinances adopted pursuant hereto are contracts with the Holders of all Bonds from time to time outstanding hereunder and thereunder and shall be enforceable in accordance with the provisions of Article VII and the laws of Pennsylvania.

SECTION 9.02. *Repeals.* All ordinances and parts of ordinances heretofore adopted to the extent that the same are inconsistent herewith are hereby repealed.

Approved the thirtieth day of May, A.D. 1975.

FRANK L. RIZZO,  
*Mayor of Philadelphia.*

mately one hundred eighty-seven thousand square feet of outside stock and parking space.

- (g) The lease agreement is conditioned upon approval of the Philadelphia Gas Commission and adoption of an Ordinance by City Council, signed by the Mayor by July 27, 1979.

SECTION 3. The City Solicitor shall include such terms and conditions as he may deem necessary or desirable to protect the best interest of the City and the Philadelphia Gas Works.

Approved the twenty-eighth day of June, A.D. 1979.

FRANK L. RIZZO,  
Mayor of Philadelphia.

Ord. No. 1040

\* AN ORDINANCE

(constituting the Fifth Supplemental Ordinance to the General Gas Works Revenue Bond Ordinance of 1975; authorizing the Mayor, City Controller, and City Solicitor or a majority thereof to sell either at public or private sale Gas Works Revenue Bonds, Fifth Series, of the City of Philadelphia in the maximum principal amount of fifty million (50,000,000) dollars and to establish the terms and provisions thereof by supplementing the General Gas Works Revenue Bond Ordinance of 1975; designating the projects and setting forth the use of proceeds; determining the sufficiency of the project revenues; covenanting the separation of Gas Works revenue accounts and proceeds of the Fifth Series Bonds from general accounts of the City; covenanting the payment of interest and principal; providing for transfer and payment of certain interest and income on moneys held in the Gas Works Sinking Fund Reserve to the operating funds of the Gas Works and, with the approval of the Gas Commission, the payment to the City of any balance in the operating funds up to the amount so transferred and paid;

and specifying the applicability of sections of the First Class City Revenue Bond Act and the General Gas Works Revenue Bonds Ordinance of 1975.

*The Council of the City of Philadelphia hereby ordains:*

SECTION 1. The Mayor, City Controller, and City Solicitor or a majority of them are hereby authorized on behalf of the City to borrow, by the issuance and sale of Gas Works Revenue Bonds, Fifth Series of the City (the Fifth Series Bonds), pursuant to the First Class City Revenue Bond Act of October 18, 1972, Act No. 234 (the Act) and the General Gas Works Revenue Bond Ordinance of 1975 (the General Ordinance), a sum or sums of which, in the aggregate, shall not exceed fifty million (50,000,000) dollars to be expended as provided in Section 2 of this ordinance. Said Fifth Series Bonds shall be sold either at public competitive sale to the highest bidder or bidders or at private negotiated sale as said officers or a majority of them shall deem to be in the best interest of the City. The Fifth Series Bonds shall contain such terms and provisions as are determined by a majority of said officers to be in the best interest of the City and are not inconsistent with the provisions hereof, of the Act or of the General Ordinance.

The Fifth Series Bonds shall not pledge the credit or taxing power or create any debt or charge against the tax or general revenues of the City or create any lien against any property of the City other than the revenues pledged in the General Ordinance.

SECTION 2. The projects for which the Fifth Series Bonds are to be issued consist of the capital improvements included in the capital program of the Gas Works as from time to time included in the capital budget of the City. Such capital improvements include, without limitation, the acquisition of land or rights therein; the acquisition, construction or improvement of buildings, structures and facilities together with their related furnishings, equipment, machinery, and apparatus; the acquisition, construction or replacement of pipes and pipe lines; and the acquisition or replacement

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of property of a capital nature for use in the operation, maintenance and administration of the Gas Works system of the City.

The proceeds of the sale of the Fifth Series Bonds shall be used to pay financing costs, to make additional payments into the Sinking Fund Reserve as required by the General Ordinance and to pay other project costs (as defined in the Act), which may include, without limitation, the repayment to the City or to accounts of the Gas Works of amounts advanced for project costs, and the funding or refunding of outstanding bond anticipation temporary loan notes of the City issued in anticipation of bonds previously authorized by the Council for capital improvements to the Gas Works system of the City.

The City covenants that the proceeds of the sale of the Fifth Series Bonds which remain available for the payment of project costs, after payment of the financing costs, the required payment into the Sinking Fund Reserve, and the repayment to the City of amounts previously advanced for project costs or for the funding or refunding of bond anticipation temporary loans as described above, shall be deposited, held and disbursed in and from one or more unsegregated accounts of the Gas Works which shall be separate and apart from and not commingled with the consolidated cash account of the City or any other account of the City not held exclusively for Gas Works purposes.

SECTION 3. Based on the report of the Director of Finance of the City filed with the Council pursuant to Section 8 of the Act, it is hereby determined that the pledged Project Revenues, as defined in the General Ordinance, will be sufficient to comply with the rate covenant contained in Section 4.03(b) of the General Ordinance and also to pay all costs, expenses and payments required to be paid therefrom in the order and priority stated in Section 4.02 of the General Ordinance.

SECTION 4. The City covenants that, so long as any of the Fifth Series Bonds shall remain outstanding, all reve-

nues of the Gas Works which are pledged under Section 4.02 of the General Ordinance will be deposited and held in and disbursed from one or more unsegregated accounts of the Gas Works which shall be separate from and not commingled with the consolidated cash account of the City or any other account of the City not held exclusively for Gas Works purposes. This covenant shall not be construed to require the establishment of any Gas Works account segregated from any other Gas Works accounts except as otherwise required by the General Ordinance.

SECTION 5. The City covenants that, so long as any Fifth Series Bonds shall remain unpaid, it will make payments or cause payments to be made from the pledged Gas Works revenues directly into its Gas Works Revenue Bond Sinking Fund created under the General Ordinance, at such times and in such annual amounts as shall be required to accumulate amounts therein sufficient for the payment of principal of and the interest on the Fifth Series Bonds when due and that it will pay or cause to be paid from said Sinking Fund said principal and interest when due.

SECTION 6. All interest and income earned on moneys held in the Gas Works Revenue Bond Sinking Fund Reserve created under the General Ordinance (Sinking Fund Reserve Earnings) shall, to the extent not required to comply with Section 6.04 of the General Ordinance, be transferred and paid by the Sinking Fund Depository to the operating funds of the Gas Works to be applied as Project Revenues in accordance with the terms of Section 4.02 of the General Ordinance. To the extent that in any fiscal year balance remains in the Project Revenues, including Sinking Fund Reserve Earnings, as such balance is determined in accordance with Section 4.02 of the General Ordinance, such balance, upon the approval of the Gas Commission may be paid to the City, provided that in a given fiscal year the balance so paid does not exceed the amount of Sinking Fund Reserve Earnings transferred and paid to the operating funds during the same fiscal year. For Fiscal Year 1980 up

to \$4.5 million of such balance, subject to the above provisions, shall be transferred and paid to the General Fund.

SECTION 7. The Director of Finance is authorized to make such covenants and take such other action on behalf of the City with respect to the investment of the proceeds of the Fifth Series Bonds as may be necessary or advisable in order that the Fifth Series Bonds shall not be "arbitrage bonds" as defined in the Internal Revenue Code.

SECTION 8. This ordinance is supplementary to the General Ordinance and all sections of the General Ordinance and the Act not inconsistent herewith are applicable to the Fifth Series Bonds. All definitions of terms contained in the Act or in the General Ordinance shall apply to such terms in this ordinance.

Approved the twenty-sixth day of June, A.D. 1979.

FRANK L. RIZZO,  
Mayor of Philadelphia.

Ord. No. 3263

• AN ORDINANCE

Authorizing the Commissioner of Public Property to sell a certain lot or piece of City-owned ground, with the improvements thereon erected, situate 4040 Ridge avenue, subject to confirmation by the Council.

WHEREAS, It is deemed to the best interest of the City that the lot or piece of City-owned ground, situate 4040 Ridge avenue be exposed for public sale in accordance with the provisions of the Philadelphia Home Rule Charter; therefore

*The Council of the City of Philadelphia hereby ordains:*

SECTION 1. The Commissioner of Public Property is hereby authorized after full and adequate advertising, to sell the following described lot or piece of City-owned ground for the best terms obtainable.

*The Council of the City of Philadelphia hereby ordains:*

SECTION 1. The following parking regulation is hereby established:

NO PARKING ANY TIME

Krewstown road, between Rising Sun avenue and a point three-hundred fifty feet south of Bloomfield avenue.

Approved the thirtieth day of July, A.D. 1980.

WILLIAM J. GREEN,  
*Mayor of Philadelphia.*

\* Bill No. 225

• AN ORDINANCE

Constituting the Sixth Supplemental Ordinance to the General Gas Works Revenue Bond Ordinance of 1975, as amended by the Fifth Supplemental Ordinance thereto; authorizing the Mayor, the City Controller and the City Solicitor, or a majority of them, to sell Gas Works Revenue Bonds, Sixth Series, of the City of Philadelphia in the maximum aggregate principal amount of one hundred million dollars (\$100,000,000); designating the projects being financed and setting forth the use of proceeds; determining the sufficiency of the project revenues; covenanting the separation of Gas Works revenue accounts and proceeds of the Sixth Series Bonds from general accounts of the City; covenanting the payment of interest and principal on the Sixth Series Bonds; authorizing covenants and action in order that the Sixth Series Bonds shall not be arbitrage bonds; amending the General Gas Works Revenue Bond Ordinance of 1975, as amended by the Fifth Supplemental Ordinance thereto, to provide that interest and income on the Sinking Fund Reserve may be retained in such Reserve by the Director of Finance; and specifying the applicability of sections of The First Class City Revenue Bond Act and the General Gas Works Revenue Bond Ordinance of 1975, as amended by the Fifth Supplemental Ordinance thereto.

*The Council of the City of Philadelphia hereby ordains:*

SECTION 1. The Mayor, the City Controller and the City Solicitor (the "Bond Committee"), or a majority of them, are hereby authorized on behalf of the City to borrow, by the issuance and sale of Gas Works Revenue Bonds, Sixth Series, of the City (the "Sixth Series Bonds"), pursuant to The First Class City Revenue Bond Act of October 18, 1972, Act No. 234 (the "Act") and the General Gas Works Revenue Bond Ordinance of 1975, as amended by the Fifth Supplemental Ordinance thereto (the "General Ordinance"), a sum or sums which in the aggregate shall not exceed one hundred million dollars (\$100,000,000) to be expended as provided in Section 2 of this Ordinance. The Sixth Series Bonds shall contain such terms and provisions as are determined by a majority of the Bond Committee to be in the best interest of the City and are not inconsistent with the provisions hereof, of the Act or of the General Ordinance.

The Sixth Series Bonds shall not pledge the credit or taxing power, create any debt or charge against the tax or general revenues or create any lien against any property of the City other than the revenues pledged by the General Ordinance.

SECTION 2. The Sixth Series Bonds shall be issued in respect of capital costs of the gas works system of the City (the "Gas Works") incurred or to be incurred for the purpose of (i) acquiring and constructing the capital improvements included in the capital program of the Gas Works as from time to time included in the capital budget of the City, which may include, without limitation, (a) the acquisition of land or rights therein; (b) the acquisition, construction or improvement of buildings, structures and facilities together with their related furnishings, equipment, machinery, and apparatus; (c) the acquisition, construction or replacement of pipes and pipe lines; and (d) the acquisition or replacement of property of a capital nature for use in the operation, maintenance and administration of the Gas Works system of the City; and (ii) paying any other Project Costs (as defined in the Act), which may include, without limitation, the repayment to any fund of the City or to accounts of the Gas Works of amounts advanced for Project Costs, and the funding or refunding of outstanding bond anticipation tem-

porary loan notes or other obligations of the City issued in respect of Project Costs.

The City covenants that the proceeds of the sale of the Sixth Series Bonds which remain available for the payment of the costs of the capital improvements included in the capital program of the Gas Works as from time to time included in the capital budget of the City, after payment of the financing costs, the required payment into the Sinking Fund Reserve and the repayment to the City and the Gas Works of amounts previously advanced for project costs or for the funding or refunding of bond anticipation temporary loans or other obligations as described above, shall be deposited and held in and disbursed from one or more unsegregated accounts of the Gas Works which shall be separate and apart from and not commingled with the consolidated cash account of the City or any other account of the City not held exclusively for Gas Works purposes. This covenant shall not be construed to require the establishment of any Gas Works account segregated from any other Gas Works accounts.

SECTION 3. Based on the report of the Director of Finance of the City filed with the Council pursuant to Section 8 of the Act, it is hereby determined that the pledged Project Revenues, as defined in the General Ordinance, will be sufficient to comply with the rate covenant contained in Section 4.03(b) of the General Ordinance and also to pay all costs, expenses and payments required to be paid therefrom in the order and priority stated in Section 4.02 of the General Ordinance.

SECTION 4. Subject to the provisions of Section 7.02 of the General Ordinance, the City covenants that, so long as any of the Sixth Series Bonds shall remain outstanding, all pledged Project Revenues shall be deposited and held in and disbursed from one or more unsegregated accounts of the Gas Works which shall be separate from and not commingled with the consolidated cash account of the City or any other account of the City not held exclusively for Gas Works purposes. This covenant shall not be construed to require the establishment of any Gas Works account segregated from any other Gas Works accounts except as otherwise required by the General Ordinance.

SECTION 5. The City covenants that, so long as any Sixth Series Bonds shall remain unpaid, it shall make payments or cause payments to be made out of its Gas Works Revenue Bond Sinking Fund created under the General Ordinance, at such times and in such annual amounts as shall be sufficient for the payment of the interest thereon and the principal thereof when due.

SECTION 6. The Director of Finance is authorized to take such action on behalf of the City with respect to the investment of the proceeds of the Sixth Series Bonds, and the Director of Finance and any member of the Bond Committee are authorized to make such covenants, as may be necessary or advisable in order that the Sixth Series Bonds shall not be "arbitrage bonds" as defined in the Internal Revenue Code of 1954, as amended.

SECTION 7. The General Ordinance is hereby amended by changing the first sentence of Section 8 of the Fifth Supplemental Ordinance to the General Ordinance to read as follows:

"All interest and income earned on moneys held in the Gas Works Revenue Bond Sinking Fund Reserve created under the General Ordinance (Sinking Fund Reserve Earnings) may, to the extent not required to comply with Section 8.04 of the General Ordinance, be transferred and paid by the Director of Finance to the operating funds of the Gas Works, to be applied as Project Revenues in accordance with the terms of Section 4.02 of the General Ordinance."

SECTION 8. This Ordinance is supplementary to the General Ordinance and all sections of the General Ordinance and the Act not inconsistent herewith are applicable to the Sixth Series Bonds. All definitions of terms contained in the Act or in the General Ordinance shall apply to such terms in this Ordinance.

Approved the thirtieth day of July, A.D. 1980.

WILLIAM J. GREEN,  
Mayor of Philadelphia.

## AN ORDINANCE

Explanation:  
Italics indicate new matter added.

Constituting an amendment to the General Gas Works Revenue Bond Ordinance of 1975, as amended by the Fifth and Sixth Supplemental Ordinances thereto; changing the definitions of Fiscal Year and Operating Expenses.

*The Council of the City of Philadelphia hereby ordains:*

SECTION 1. The General Gas Works Revenue Bond Ordinance of 1975, as amended by the Fifth and Sixth Supplemental Ordinances thereto (the "General Ordinance") is hereby amended by changing the definition of Fiscal Year contained in Section 2.01 thereof to read as follows:

*"Fiscal Year means the fiscal year for the Gas Works as provided in any ordinance of the City from time to time hereafter enacted. If no other fiscal year is established by ordinance, it shall mean the fiscal year of the City."*

SECTION 2. The General Ordinance is hereby amended by changing the definition of Operating Expenses in Section 2.01 thereof to read as follows:

*"Operating Expenses means all costs and expenses of the Gas Works necessary and appropriate to operate and maintain the Gas Works in good operable condition during each Fiscal Year, and shall include, without limitation, the Manager's fee, salaries and wages, purchases of service by contract, costs of materials, supplies and expendable equipment, maintenance costs, costs of any property or the replacement thereof or for any work or project, related to the Gas Works, which does not have a probable useful life of at least five years, pension and welfare plan and workmen's compensation requirements, provision for*

claims, refunds and uncollectible receivables and for City Charges, all in accordance with generally accepted municipal accounting principles consistently applied, but shall exclude depreciation and interest and sinking fund charges."

SECTION 3. All definitions of terms contained in the General Ordinance shall apply to such terms in this Ordinance to the extent such terms are not defined herein.

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**EXPLANATION:**

*(Italics indicate new matter added.)*

Approved the twenty-second day of September, A.D. 1982.

WILLIAM J. GREEN,  
*Mayor of Philadelphia.*

\*Bill No. 1316

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**\*AN ORDINANCE**

Authorizing and directing the striking from City Plan No. 196 and vacating a legally open portion of Allegheny avenue on the southerly side, from the southeasterly right-of-way line of the Delaware Expressway (L.R. 1000) to the Bulkhead Line of the Delaware River and reserving and placing on the City Plan certain rights-of-way for drainage purposes and construction, reconstruction, repair and maintenance of sewers, under certain terms and conditions.

*The Council of the City of Philadelphia hereby ordains:*

SECTION 1. Pursuant to Section 11-405 of The Philadelphia Code, the Board of Surveyors of the Department of Streets is authorized and directed to:

(a) Strike from the City Plan and vacate the legally open portion of the southernmost fifteen foot width of Al-

SECTION 4. This ordinance shall not become effective unless the sum of two hundred (\$200) dollars, toward costs thereof, is paid into the City Treasury within sixty (60) days after the approval of this ordinance.

Approved the seventeenth day of May, A.D. 1985.

W. WILSON GOODE,

*Mayor of Philadelphia.*

BILL No. 333

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AN ORDINANCE

Constituting the Eighth Supplemental Ordinance to the General Gas Works Revenue Bond Ordinance of 1975, as amended to date; authorizing the Mayor, the City Controller and the City Solicitor, or a majority of them, to sell, either at public or private sale, Gas Works Revenue Bonds, Eighth Series, of the City of Philadelphia in the maximum aggregate principal amount of ninety million dollars (\$90,000,000), provided that if the Bonds are sold at a discount the aggregate principal amount may be increased to reflect such discount so long as the aggregate gross proceeds to the City from the sale of the Bonds do not exceed ninety million dollars (\$90,000,000); designating the projects being financed and setting forth the use of proceeds and permitting the transfer of interest and income earned on such proceeds to the operating funds of the Gas Works; determining the sufficiency of the project

the Sinking Fund Reserve and the repayment to the City and the Gas Works of amounts previously advanced for Project Costs or for the funding or refunding of bond anticipation notes or other obligations as described above, shall be deposited and held in and disbursed from one or more unsegregated accounts of the Gas Works which shall be separate and apart from and not commingled with the consolidated cash account of the City or any other account of the City not held exclusively for Gas Works purposes. This covenant shall not be construed to require the establishment of any Gas Works account segregated from any other Gas Works accounts. All interest and income earned on the investment of such proceeds pending expenditure for the aforesaid purposes may be transferred to and deposited in the operating funds of the Gas Works and applied as Project Revenues in accordance with Section 4.02 of the General Ordinance.

Any excess moneys in the Sinking Fund Reserve in respect of the Eighth Series Bonds other than Sinking Fund Reserve Earnings shall be transferred to the accounts of the Gas Works described in this Section 2 and applied to pay capital costs as described in this Section 2.

SECTION 3. Based on the report of the Director of Finance of the City filed with the Council pursuant to Section 8 of the Act, it is hereby determined that the pledged Project Revenues, as defined in the General

Ordinance, will be sufficient to comply with the rate covenant contained in Section 4.03(b) of the General Ordinance and also to pay all costs, expenses and payments required to be paid therefrom in the order and priority stated in Section 4.02 of the General Ordinance.

SECTION 4. Subject to the provisions of Section 7.02 of the General Ordinance, the City covenants that, so long as any of the Eighth Series Bonds shall remain outstanding, all pledged Project Revenues shall be deposited and held in and disbursed from one or more unsegregated accounts of the Gas Works which shall be separate from and not commingled with the consolidated cash account of the City or any other account of the City not held exclusively for Gas Works purposes. This covenant shall not be construed to require the establishment of any Gas Works account segregated from other Gas Works accounts except as otherwise required by the General Ordinance.

SECTION 5. The City covenants that, so long as any Eighth Series Bonds shall remain unpaid, it shall make payments or cause payments to be made out of its Gas Works Revenue Bond Sinking Fund created under the General Ordinance, at such times and in such amounts as shall be sufficient for the payment of the interest thereon and the principal thereof when due.

SECTION 6. The Director of Finance is authorized to take such action on behalf of the City with respect to the

investment of the proceeds of the Eighth Series Bonds, and the Director of Finance and any member of the Bond Committee are authorized to make such covenants as may be necessary or advisable in order that the Eighth Series Bonds shall not be "arbitrage bonds" as defined in the Internal Revenue Code of 1954, as amended (the "Code").

SECTION 7. In order to comply with the requirement of Section 103(j) of the Code that all tax-exempt obligations be in registered form, the General Ordinance is hereby amended as follows:

(a) The following definition of Record Date is added to Section 2.01 of the General Ordinance:

"Record Date means, with respect to each interest payment date on the Bonds, that day which next precedes such interest payment date by fifteen (15) days, whether or not such day is a business day."

(b) The General Ordinance is amended by the addition of Section 3.04A, to read as follows:

"The third paragraph of Section 3.04 shall not apply to Bonds issued after May 1, 1985 but, instead, the following provision shall apply to such Bonds: The principal of and interest on (except the final installment of principal and the interest then payable) and the principal, premium, if any, and accrued interest payable upon partial redemption

with respect to, all fully registered installment Bonds, and the interest payable in respect of fully registered Bonds shall be payable by check or draft of the Fiscal Agent mailed to the registered owner of such Bonds at the address of such owner as it appears upon the bond register at the close of business on the Record Date, or, in the case of defaulted interest, as it appears on a special record date established for the payment of such defaulted interest by notice mailed by or on behalf of the City to the registered owner of such Bonds not less than ten (10) days preceding such special record date (such notice to be mailed to the registered owner of such Bonds appearing on the bond register on the close of business on the fifth day preceding the date of mailing); and the records of the Fiscal Agent shall be conclusive as to such payment and shall bind such owner, his successors and assigns whether or not such payment be noted on such Bond. Except as aforesaid, the principal of all Bonds, the premium, if any, payable upon redemption thereof, and the interest on all coupon Bonds payable at or prior to maturity, shall be payable in lawful money of the United States of America at the principal Philadelphia office of the Fiscal Agent in Philadelphia, Pennsylvania, or at the principal office of a paying agent designated in such Bonds, but with respect to such principal, only upon presentation and

surrender of such Bonds, or with respect to interest payable at or prior to maturity of such coupon Bonds, only upon presentation and surrender of the respective coupons for interest, except as otherwise herein provided with respect to mutilated, destroyed, lost or stolen Bonds or coupons."

(c) The first sentence of Section 3.09 of the General Ordinance is amended to read as follows:

"All Bonds of any Series issued hereunder shall be exchangeable for like Bonds of different authorized denominations or for Bonds in different form authorized for the same Series, as the case may be, and, in each case, in the same aggregate principal amount, maturing on the same dates and bearing the same rate of interest as the Bonds to be exchanged, all in the manner hereinafter provided."

(d) The General Ordinance is amended by the addition of Section 3.09A, to read as follows:

"The fourth sentence of Section 3.09 hereof shall not apply to Bonds issued after May 1, 1985 but, instead, the following provision shall apply to such Bonds: All fully registered Bonds issued in exchange for Bonds of any Series shall be dated the date of issuance thereof and shall bear interest from the date from which interest was initially payable with

respect to such Series or from the next preceding interest payment date of such Series to which interest has been duly paid or provided, whichever is later, or, if the date of authentication shall be an interest payment date to which interest has been duly paid or provided, from such date."

(e) The first sentences of Section 5.02 of the General Ordinance is amended to read as follows:

"Whenever the City shall, by ordinance of the Council, determine to redeem all or part of the Bonds of any Series in accordance with the right reserved so to do, or when the City or the Fiscal Agent shall be required to redeem Bonds pursuant to mandatory redemption provisions, the City or the Fiscal Agent, as the case may be, shall cause a notice of intention to redeem, signed in the name of the City by the Fiscal Agent, to be published once a week for two (2) consecutive weeks, the first publication to be at least thirty (30) days and not more than sixty (60) days before the redemption date, in not less than two (2) nor more than four (4) daily newspapers published in the English language and of general circulation in the City; provided, however, that no such published notice shall be required for the redemption of fully registered Bonds of any Series for which mailed

notice, described in the next succeeding sentence, shall be the only required notice."

(f) Section 5.04 of the General Ordinance is amended to read as follows:

"Upon presentation of any Bond which is to be redeemed in part only, the City and the Fiscal Agent shall execute and deliver to the Holder thereof, at the expense of the City, a new Bond or Bonds of authorized denominations in principal amount equal to and of the same Series and maturity as the unredeemed portion of the Bond or Bonds so presented, which new Bond or Bonds shall be in the same form of the Bond to be redeemed or, at the option of the Holder, in any other form authorized for Bonds of such Series."

SECTION 8. This Ordinance is supplementary to the General Ordinance and all Sections of the General Ordinance and the Act not inconsistent herewith are applicable to the Eighth Series Bonds. All definitions of terms contained in the Act or in the General Ordinance not inconsistent herewith shall apply to such terms in this Ordinance.

Approved the seventeenth day of May, A.D. 1985.

W. WILSON GOODE,  
*Mayor of Philadelphia.*



(Bill No. 379)

AN ORDINANCE

Repealing Bill No. 339, approved by the Mayor of the City of Philadelphia on November 13, 1992, which had constituted the Fourteenth Supplemental Ordinance to the General Gas Works Revenue Bond Ordinance of 1975, as amended to date (the "General Ordinance"); and enacting provisions newly constituting the Fourteenth Supplemental Ordinance to the General Ordinance; authorizing the Mayor, the City Controller and the City Solicitor, or a majority of them, to sell, either at public or private sale, Gas Works Revenue Bonds of the City of Philadelphia, in one or more series or subseries, in the additional maximum aggregate principal amount of four hundred million (400,000,000.00) dollars (the "Bonds"); provided, however, that the aggregate principal amount of Bonds authorized to be issued to pay the cost of certain projects shall not exceed seventy-five million (75,000,000.00) dollars and the aggregate principal amount issued to redeem or refund certain outstanding Gas Works Revenue Bonds shall not exceed three hundred twenty-five million (325,000,000) dollars; and provided further that, if the Bonds are sold at a discount, the aggregate principal amount may be increased to reflect such discount as long as the aggregate gross proceeds to the City from the sale of the Bonds do not exceed four hundred million (400,000,000) dollars, plus accrued interest, if any; designating that the Bonds are being

issued to pay the costs of certain projects and to redeem or refund all or a portion of certain outstanding series of Gas Works Revenue Bonds and the application of proceeds of the Bonds for such purpose; authorizing the City to obtain credit enhancement for the Bonds; authorizing the sale of Option Rights; determining the sufficiency of Project Revenues; covenanting the separation of Gas Works revenue accounts and proceeds of the Bonds from general accounts of the City; covenanting the payment of interest and principal on the Bonds; authorizing covenants and action in order that the Bonds shall not be arbitrage bonds; amending the General Ordinance to authorize bonds to be issued under the General Ordinance in book-entry form, to authorize the sale of the City's optional redemption rights relating to bonds issued under the General Ordinance and to permit conditional redemption calls; and providing that this Ordinance is supplemental to the General Ordinance that the provisions of the General Ordinance and the First Class City Revenue Bond Act, to the extent consistent with this Ordinance, are applicable.

*The Council of the City of Philadelphia hereby ordains:*

SECTION 1. The ordinance approved November 13, 1992 (Bill No. 339) is hereby repealed.

SECTION 2. The Mayor, the City Controller and the City Solicitor (the "Bond Committee"), or a majority of them, are hereby authorized, on behalf of the City, to borrow, by the issuance and sale of Gas Works Revenue Bonds of the City (the "Bonds"), in one or more series or subseries, pursuant to The First Class City Revenue Bond Act of October 18, 1972, Act No. 234 (the "Act") and the General Gas Works Revenue Bond Ordinance of 1975, adopted by the City on May 30, 1975, as amended to date (the "General Ordinance"), a sum or sums which in the aggregate shall not exceed the principal amount of Bonds authorized to be issued hereunder, to be expended as

provided in Section 2 of this Ordinance. The Bonds shall be sold at public or private sale and shall contain such terms and provisions as are determined by a majority of the Bond Committee to be in the best interests of the City and are not inconsistent with the provisions hereof, of the Act or of the General Ordinance. If a majority of the Bond Committee determines it to be in the best interests of the City, the Bonds may be issued in book-entry form; in such event a majority of the Bond Committee shall also select a securities depository for the Bonds. If a majority of the Bond Committee determines it to be in the best interests of the City, the City may obtain credit enhancement for all or a portion of the Bonds. If a majority of the Bond Committee determines it to be in the best interests of the City, the City may sell Option Rights relating to the Bonds. A majority of the Bond Committee is authorized to take any and all other actions as may be necessary or appropriate in connection with the consummation of the transactions contemplated herein.

The aggregate principal amount of Bonds which are authorized to be issued hereunder shall not be more than four hundred million (400,000,000) dollars; provided, however, that the aggregate principal amount of Bonds authorized to be issued to pay the cost of certain projects shall not exceed seventy-five million (75,000,000) dollars and the aggregate principal amount issued to refund certain outstanding series of Gas Works Revenue Bonds shall not exceed three hundred twenty-five million (325,000,000) dollars; and provided further that, if any of the Bonds are to be sold at discounts which are in lieu of periodic interest, the aggregate principal amount of Bonds which may be issued hereunder shall be increased to reflect such discounts, as long as the aggregate gross proceeds to the City from the sale of the Bonds shall not exceed four hundred million (400,000,000) dollars, plus accrued interest, if any.

The Bonds shall not pledge the credit or taxing power, create any debt or charge against the tax or general revenues or create any lien against any property of the City other than the revenues pledged by the General Ordinance. The opinion of the City Solicitor required by Section 8 of the Act with respect to the matters stated in the preceding sentence is attached hereto as Exhibit A.

SECTION 3. The Bonds shall be issued for the purpose of providing funds for any or all of the following purposes: (i) acquiring and constructing the capital improvements included in the capital program of the Gas Works as from time to time included in the capital budgets of the Gas Works, as approved by City Council, which may include, without limitation, (a) the acquisition of land or rights therein; (b) the acquisition, construction or improvement of buildings, structures and facilities together with their related furnishings, equipment, machinery and apparatus; (c) the acquisition, construction or replacement of pipes and pipe lines; and (d) the acquisition or replacement of property of a capital nature for use in the operation, maintenance and administration of the Gas Works system of the City; (ii) the refunding of all or a portion of certain series of the City's outstanding Gas Works Revenue Bonds, consisting of the Third Series, Fourth Series, Fifth Series, Eighth Series, Tenth Series, Eleventh A Series, Eleventh C Series, Twelfth A Series, Twelfth B Series and the Thirteenth Series, or such other series as shall be designated by the City's Director of Finance (the "Prior Bonds"); (iii) paying the costs of issuing the Bonds and any required deposits to the Sinking Fund Reserve; and (iv) paying any other Project Costs (as defined in the Act) which may include, without limitation, the repayment to any fund of the City or to accounts of the Gas Works of amounts advanced for Project Costs, and the funding or refunding of outstanding bond anticipation notes or other obligations of the City issued in respect to Project Costs.

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The City covenants that proceeds of the Bonds applicable to the refunding of the Prior Bonds will be deposited in one or more escrow or similar accounts with the Fiscal Agent, as defined in the General Ordinance, separate and apart from all other accounts of the City or Gas Works, including the Sinking Fund established by the General Ordinance, to be held for the benefit of the holders of the applicable refunded Prior Bonds and applied to payment of the Prior Bonds in accordance with a certificate of the Director of Finance or escrow deposit agreement (as to Prior Bonds that are being currently refunded) or an escrow deposit agreement (as to Prior Bonds that are being advance refunded).

The City covenants that the proceeds of the Bonds which remain available for the payment of the costs of the capital improvements, after payment of the financing costs, the required payment into the Sinking Fund Reserve and the repayment to the City and the Gas Works of amounts previously advanced for Project Costs or for the funding or refunding of bond anticipation notes or other obligations as described above, shall be deposited and held in and disbursed from one or more unsegregated accounts of the Gas Works which shall be separate and apart from and not commingled with the consolidated cash account of the City or any other account of the City not held exclusively for Gas Works purposes. This covenant shall not be construed to require the establishment of any Gas Works account segregated from any other Gas Works accounts. All interest and income earned on the investment of such proceeds (except for amounts to be rebated to the United States) pending expenditure for the aforesaid purposes may be transferred to and deposited in the operating funds of the Gas Works and applied as Project Revenues in accordance with Section 4.02 of the General Ordinance.

The Director of Finance is hereby authorized to determine, on behalf of the City, the particular series and

maturities of the Prior Bonds to be refunded, the amount of Bond proceeds to be applied to the refunding of the Prior Bonds and to deposit such proceeds in an escrow account for the benefit of the holders of the refunded Prior Bonds, and to take any and all other action, including the irrevocable pledge of such proceeds and/or the income or profit from the investment thereof, for the payment and redemption of the refunded Prior Bonds, and the publication of all required redemption notices or the giving of irrevocable instructions therefor, as may be necessary or appropriate to accomplish the refunding of the Prior Bonds and to comply with the requirements of Section 10 of the Act.

Any excess moneys in the Sinking Fund Reserve in respect of the Bonds other than Sinking Fund Reserve Earnings shall be transferred to the accounts of the Gas Works described in this Section 3 and applied to any of the purposes described in this Section 3.

SECTION 4. Based on the report of the Director of Finance of the City required by Section 8 of the Act (the "Financial Report"), it is hereby determined that the pledged Project Revenues, as defined in the General Ordinance, will be sufficient to comply with the rate covenant contained in Section 4.03(b) of the General Ordinance and also to pay all costs, expenses and payments required to be paid therefrom in the order and priority stated in Section 4.02 of the General Ordinance. An executed copy of the Financial Report is attached hereto as Exhibit B.

SECTION 5. Subject to the provisions of Section 7.02 of the General Ordinance, the City covenants that, as long as any of the Bonds shall remain outstanding, all pledged Project Revenues shall be deposited and held in and disbursed from one or more unsegregated accounts of the Gas Works which shall be separate from and not commingled with the consolidated cash account of the City or any other account of the City not held exclusively for

Gas Works purposes. This covenant shall not be construed to require the establishment of any Gas Works account segregated from any other Gas Works accounts except as provided in Section 2 hereof or as otherwise required by the General Ordinance.

SECTION 6. The City covenants that, as long as any Bonds shall remain unpaid, it shall make payments or cause payments to be made out of its Gas Works Revenue Bond Sinking Fund created under the General Ordinance, at such times and in such amounts as shall be sufficient for the payment of the interest thereon and the principal thereof when due; provided, however, that whenever the City shall be required to deposit moneys with the Fiscal Agent for the mandatory redemption of any of the Bonds, such obligation may be satisfied, in whole or in part, by the delivery by the City to the Fiscal Agent of a principal amount of Bonds of the maturity required to be redeemed for cancellation prior to the date specified for such redemption.

SECTION 7. The Director of Finance is authorized to make such elections under the Internal Revenue Code of 1986, as amended and Treasury Regulations promulgated thereunder with respect to the Bonds as he deems advisable, and to take such action on behalf of the City with respect to the investment of the proceeds of the Bonds, and the Director of Finance and any member of the Bond Committee are authorized to make such covenants as may be necessary or advisable in order that the Bonds shall not be "arbitrage bonds" as defined in the Internal Revenue Code of 1986, as amended.

SECTION 8. In accordance with Section 6.04 of the General Ordinance, the City is authorized to accumulate from Project Revenues, over a period of not more than six (6) Fiscal Years from the date or dates of issuance and delivery of the Bonds, the amount required by the General Ordinance to be deposited in the Sinking Fund Reserve in respect thereof.

SECTION 9. Section 3.02 of the General Ordinance is hereby amended to provide that the form of fully registered bond may contain provisions related to Option Rights and mandatory tender for purchase substantially as follows:

In addition to being subject to optional redemption by the City, the Bonds maturing on or after \_\_\_\_\_ are subject to mandatory tender for purchase on and after \_\_\_\_\_, in whole or in part, at any time, from any maturities selected by the City and by lot within each maturity at a price equal to the principal amount of each Bond or portion thereof so required to be tendered for purchase, accrued interest thereon to the purchase date, if the purchase date is not an interest payment date, and a premium computed in accordance with the following schedule:

[insert specific provisions relating to purchase]

The right to call a Bond for mandatory tender for purchase as described above is referred to as an "Option Right." Prior to the exercise of the Option Right, the City must deliver to the Fiscal Agent an opinion of nationally recognized bond counsel that such exercise is permitted by law and will not affect the validity of the Bonds or the exclusion of the interest thereon from gross income for federal income tax purposes.

To the extent permitted by law, the City has the right to sell all or any part of its Option Rights to one or more third parties in the manner, at the times and upon the conditions provided in the General Ordinance. Prior to the initial sale of any Option Rights, the City must deliver to the Fiscal Agent an opinion of nationally recognized bond counsel that such sale is

authorized by law and will not affect the validity of the Bonds or the exclusion of interest thereon from gross income for federal income tax purposes.

To the extent permitted by law, purchase of the Bonds by the City or use of any funds by the City to effectuate any such purchase shall not be deemed to be a payment or redemption of the Bonds or of any portion thereof and such purchase will not operate to extinguish or discharge the indebtedness evidenced by such Bonds. The holder of this bond agrees to be bound by such terms of the General Ordinance.

The City shall not sell Option Rights in such amounts and for such periods so that on any mandatory redemption date, there are insufficient callable Bonds of the appropriate maturity, available to meet the mandatory redemption date.

If less than all of the Bonds are called for mandatory tender for purchase, the particular Bonds or portions of Bonds to be called for mandatory tender for purchase shall be selected not less than forty-five (45) days prior to the date fixed for redemption by the Fiscal Agent by lot. Bonds in a denomination of more than five thousand (5,000) dollars may be redeemed or called for mandatory tender for purchase in part from time to time in one or more units of five thousand (5,000) dollars within a single maturity in the manner provided in the General Ordinance.

If any of the Bonds, or portions thereof, are called for mandatory tender for purchase, the Fiscal Agent will give notice to the holders of any such Bonds to be called, in the name of the City, of the

mandatory tender for purchase of such Bonds, or portions thereof, which notice will specify the Bonds to be redeemed or purchased, the redemption or purchase date and the place or places where amounts due upon such redemption or purchase will be payable and, if less than all of the Bonds are to be redeemed or purchased, the numbers of such Bonds to be purchased, and, in the case of Bonds to be purchased in part only, such notice will also specify the respective portion of the principal amount thereof to be purchased. Such notice will be given by mailing a copy of the redemption or purchase notice by first class mail at least thirty (30) days prior to the date fixed for redemption for purchase to the holder of each Bond to be purchased, at the address shown on the registration books; provided, however, that failure to give such notice by mail, or any defect in the notice mailed to the holder of any Bond, shall not affect the validity of the proceedings for the redemption or purchase of any other Bond. If funds for their redemption are on deposit with the Fiscal Agent, all Bonds so called for redemption will cease to bear interest on the specified redemption date. Bonds called for mandatory tender for purchase, for which funds are held by the Fiscal Agent, shall be deemed to have been purchased and the holder thereof shall not be entitled to any payment other than the purchase price thereof and any accrued and unpaid interest due on the purchase price.

The above provisions may be modified if the Bond Committee, or a majority of them, determines that it is in the best interest of the City to do so in order to conform with customary provisions relating to Option Rights.

SECTION 10. Section 3.02 of the General Ordinance is further amended to provide that the form of fully registered bond may contain provisions relating to book-entry registration as may be required by the Fiscal Agent or the securities depository for such Bonds or as may be customary for bonds issued in book-entry form.

SECTION 11. Article III of the General Ordinance is amended by the addition of a new section designated Section 3.16 to read as follows:

The Bond Committee, or a majority of them, may determine to issue one or more series of Bonds in book-entry (uncertificated) form and may designate a securities depository (the "Depository") for each series of Bonds issued in book-entry form. In the event Bonds are issued in book-entry form, the ownership of one fully registered Bond for each maturity of such series, each in the aggregate principal amount of such maturity, will be registered in the name(s) designated by the Depository. So long as the book-entry only system is applicable to a series of Bonds, the provisions of this Section 3.16 shall govern as to matters set forth in this Section.

Pursuant to the book-entry only system, ownership interests in the Bonds may be purchased in the manner directed by the Depository, which may be through financial institutions for whom the Depository effects book-entry transfers (the "Participants"). A Beneficial Owner, who is the owner of such an interest in a Bond, will not receive certificated Bonds and will not be the registered owner thereof. Receipt by the Beneficial Owners of timely payment of principal, purchase price, redemption price and interest on the Bonds, is subject to the Depository's making such timely payment, either to the Beneficial Owner or to the

Participants to be forwarded to the Beneficial Owners. Neither the City nor the Fiscal Agent will have any responsibility or obligation to such Participants or to the Beneficial Owners for any failure of the Depository to act or make any payment with respect to the Bonds or the providing of notices relating to redemption or mandatory tender to Participants or the Beneficial Owners of the Bonds.

The Depository will receive payments from the Fiscal Agent to be remitted by the Depository to the Beneficial Owners or to the Participants for subsequent disbursement to the Beneficial Owners. The ownership interest of each Beneficial Owner in the Bonds shall be recorded on the records of the Depository or the records of the Participants, whose ownership interests will be recorded on the records of the Depository.

When notices are given, they shall be sent by the Fiscal Agent to the Depository with a request that the Depository forward (or cause to be forwarded) the notice to the Participants so that such Participants may forward (or cause to be forwarded) the notices to the Beneficial Owners, or to the Beneficial Owners.

Transfers of ownership interests in the Bonds will be accomplished by book-entries made by the Depositories and/or the Participants who act on behalf of the Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in the Bonds, except as specifically provided herein. So long as the Depository is the Bondholder, interest, principal and redemption price of the Bonds will be paid when due by the Fiscal Agent to the Depository, then paid by the Depository to the Beneficial Owners, or by the Depository to the Participants

and thereafter paid by the Participants to the Beneficial Owners. The payments to the Depository shall satisfy the City's obligations under this Ordinance.

For every transfer and exchange of the Bonds, the Fiscal Agent, the Depository and the Participants may charge the Beneficial Owner of the Bonds a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto. No transfer or exchange of any Bonds shall be required to be made fewer than fifteen (15) days prior to any interest payment date or fifteen (15) days prior to any mailing of notice of redemption of the Bonds. No transfers shall be made of Bonds previously called for redemption, except pursuant to the optional or mandatory tender provisions hereof.

The Depository may determine to discontinue providing its services with respect to the Bonds at any time by giving notice to the City and the Fiscal Agent and discharging its responsibilities with respect thereto under applicable law. Under such circumstances (if there is no successor securities depository), the City is obligated to deliver bond certificates.

The Bondholders have no right to a depository for the Bonds. If the book-entry only system is no longer utilized, upon receipt of notice from the Fiscal Agent, the Beneficial Owners may elect to receive bond certificates.

Notwithstanding any other provision of this Ordinance or the Bonds, so long as the Depository is the registered Bondholder of all Bonds, the Depository may present notices, approvals waivers or other communications

required or permitted to be made by Bondholders under this Ordinance on a fractionalized basis on behalf of some or all of the Beneficial Owners through the Depository or the Participants.

The appropriate officials of the City are authorized to execute any documentation required by the Depository in connection with book-entry registration of a series of Bonds.

SECTION 12. Section 5.02 of the General Ordinance is hereby amended by the addition of a third paragraph to read as follows:

If a notice is given with respect to an optional redemption, such notice may provide that the redemption is conditioned upon the deposit of moneys with the Fiscal Agent before the date fixed for redemption and such notice shall be of no effect and such redemption shall not occur unless such moneys are so deposited. In the event that such notice of redemption contains such a condition and such moneys are not so received, the redemption shall not be made and the Fiscal Agent shall within a reasonable time thereafter give notice to the holders of Bonds which were to be redeemed that such moneys were not so received.

SECTION 13. The General Ordinance is hereby amended by the addition of a new section designated Section 5.05 to read as follows:

SECTION 5.05(a) Any series of Bonds issued under this Ordinance may provide that some or all of the Bonds of such series are subject to mandatory tender for purchase. The right to call Bonds of a series for mandatory tender for purchase is referred to as an "Option Right." The Supplemental Ordinance pursuant to which

such Bonds are issued shall provide that the Bond Committee, or a majority of them, may determine to sell Options Rights with respect to one or more series of Bonds. Prior to the exercise of an Option Right, the City shall deliver to the Fiscal Agent an opinion of nationally recognized bond counsel that such exercise is permitted by law and will not affect the validity of the Bonds of such series or the exclusion of the interest thereon from gross income for federal income tax purposes.

(b) To the extent permitted by law, the City shall have the right, with respect to a series of Bonds that includes Option Rights, to sell all or any part of such Option Rights. Any such sale will transfer to the purchaser thereof (the "Option Rights Owner"), all or a designated part of the City's right during an identified period of time (the "Option Period") to require the mandatory tender for purchase of an identified principal amount of an identified maturity (or mandatory sinking fund installment) of Bonds of a series prior to the maturity of such Bonds. In addition, if Option Rights for a principal amount of a maturity (or mandatory sinking fund installment) of Bonds of a series are sold, during the Option Period the City will not have the right to optionally redeem a principal amount of such series of Bonds equal to the principal amount as to which Option Rights have been sold. Any exercise by such Option Rights Owner of its rights to have Bonds mandatorily tendered for purchase shall be subject to the terms, conditions and prices set forth in such Bonds and other provisions of the Supplemental Ordinance pursuant to which such Bonds are issued. Prior to the initial sale of any Option Rights, the City shall deliver to the

Fiscal Agent an opinion of nationally recognized bond counsel that such sale is authorized by law and will not affect the validity of the Bonds of such series or the exclusion of the interest thereon from gross income for federal income tax purposes.

(c) In the event the City sells all or a portion of its Option Rights for a series of Bonds, the following shall apply:

(i) The Option Rights so sold shall be evidenced by certificate (the "Rights Certificates"), executed in the manner Bonds are executed as provided in Section 3.10 of this Ordinance. Each Rights Certificate shall identify the maturity (or mandatory sinking fund installment) and principal amount of the series of Bonds to which it applies, and the Option Period during which the Option Rights evidenced by the Rights Certificate is exercisable. No single Rights Certificate shall be issued for more than one maturity (or mandatory sinking fund installment) of a series of Bonds. The Rights Certificates shall represent Bonds of that series of five thousand (5,000) dollars or any integral multiple thereof or any large minimum denomination specified in the instrument of the City authorizing the sale of the Rights Certificates.

(ii) The Rights Certificates shall be in a form approved by the Bond Committee.

The City may provide for a book-entry system for the Option Rights which conforms with this Section.

(iii) In order to exercise the Option Rights represented by a Rights Certificate, except under the conditions set forth in paragraph (vi) below, the Rights Certificate, the purchase price and written instructions which

designate the purchase date and, if less than all of the Bonds to which the Rights Certificate pertains are to be purchased, the principal amount to be purchased, must be delivered to the Fiscal Agent not less than forty-five (45) nor more than ninety (90) days after delivery of the Rights Certificate, purchase price and written instructions to the Fiscal Agent and must be a date that is included in the Option Period specified in the Rights Certificate.

(iv) Upon receipt of a Rights Certificate, the purchase price and instructions as provided in paragraph (ii) of this subsection, the Fiscal Agent (or, alternatively, a securities depository of a book-entry system if such system is in effect) shall select, by lot, a Bond or Bonds of such series to be tendered for purchase, which Bond or Bonds are subject to mandatory tender for purchase during the Option Period specified in the Rights Certificate, of the same maturity (or mandatory sinking fund installment) and in a principal amount equal to that specified in the Rights Certificate (or irrevocable instructions if only a portion of such Bonds to which the Rights Certificate pertains are being purchased). Such selection shall be made between thirty (30) and forty-five (45) days prior to the purchase date. A portion of any Bond of such series in a denomination that exceeds five thousand (5,000) dollars may be called for mandatory tender for purchase pursuant to this section, and if so called, the Fiscal Agent shall authenticate and deliver a new bond for the unpurchased portion of that Bond to the registered owner thereof (or if a book-entry system is in effect, the securities depository shall note the change in the amount of the beneficial owner's interest in the Bond by book-entry).

(v) Any Bond called for mandatory tender for purchase must (if a book-entry system is not in effect) be delivered to the Fiscal Agent on the purchase date and upon such delivery, the purchase price will be paid to the registered owner thereof. (If the purchase date is a principal or interest payment date for the Bonds, the interest due on the Bonds shall be paid as provided in such series of Bonds). Any Bond so called for mandatory tender for purchase which is not so presented shall be an "Undelivered Bond," and shall be treated as purchased by the holder of the Option Rights being exercised for all purposes hereof and the holder of such Undelivered Bond shall not be entitled to any payment other than the purchase price thereof (and any accrued and unpaid interest due on the purchase date) and Undelivered Bonds in the hands of such non-delivering holder shall no longer accrue interest or be entitled to the benefits of this Ordinance or any Supplemental Ordinance pursuant to which such Undelivered Bonds were issued, except for the payment of the purchase price and any unpaid interest due on the purchase date from the funds held by the Fiscal Agent thereof, provided that the indebtedness represented by such Bonds shall not be extinguished, but shall be transferred by the Fiscal Agent to the holder of the Option Right. The Fiscal Agent shall cancel any Bonds tendered for mandatory purchase and issue a new bond in the same principal amount and with the same interest rate, maturity date, form and tenor (except that such Bond or portion thereof tendered for mandatory purchase shall state that it is a Bond which is not subject to mandatory tender for purchase or optional redemption for the Option Period during which the Option Right evidenced by the Rights Certificate being

exchanged for such Bond was exercisable) to the owner of the Rights Certificate pursuant to which the Bond was called for mandatory tender for purchase. The Fiscal Agent shall note on the registration records that such Bond is not subject to mandatory tender for purchase or optional redemption for the designated Option Period. If a book-entry system is then in effect for the Bonds, the Fiscal Agent shall require that a new Bond so issued be registered in the name of and delivered to the person designated by the securities depository which is holding certificates pursuant to the book-entry system.

(vi) If the Option Rights Owner is also the owner of a Bond of the same series and of the maturity to which the Option Rights Owner's Rights Certificate pertains, which Bond is subject to mandatory tender for purchase during the Option Period specified in the Rights Certificate, that Option Rights Owner may present to the Fiscal Agent the Rights Certificate and the Bond and request that the Fiscal Agent cancel the Rights Certificate and designate the Bond to be a Bond which is not subject to mandatory tender for purchase or optional redemption during the Option Period specified in the Rights Certificate. Upon receipt of such Rights Certificate, Bond and request, the Fiscal Agent shall so designate the Bond on its records and on the Bond itself (by stamping or other appropriate means of identification or by issuing a replacement Bond), and that bond or any Bond thereafter issued and a transfer or exchange for that Bond shall not be subject to mandatory tender for purchase or optional redemption during the designated Option Period. The Fiscal Agent is not required to honor such a request if it is made within the fifteen (15) day period

preceding the selection of Bonds of the same series and same maturity (or mandatory sinking fund installment) as the Bond presented for prior redemption or mandatory tender for purchase. The Fiscal Agent may charge the Option Rights Owner a fee to compensate it for its expenses in connection with the exchange contemplated herein and shall charge the Option Rights Owner for any tax or any governmental charge imposed in connection therewith. At the request of the holder, the City and the Fiscal Agent shall cooperate in obtaining a new CUSIP number, if needed or desirable, for such Bond.

(vii) Between one hundred eighty (180) and thirty (30) days prior to the execution by the City of a contract for the sale of any Option Rights, the City shall cause the Fiscal Agent to mail a notice by registered or certified mail to the registered owner of each of the Bonds subject to the Option Rights. Such notice shall state that it is a notice of proposed sale of Option Rights with respect to such Bonds and shall include the name and address of the person or entity from which additional information concerning the proposed sale may be obtained. In addition, such notice may list the maturities (or mandatory sinking fund installments) with respect to which the Option Rights are proposed to be sold and the CUSIP numbers of the Bonds corresponding to those maturities (or mandatory sinking fund installments). Any error in such maturities (or designation of mandatory sinking fund installments) or CUSIP numbers or any other error in such notice shall not affect the ability of the City to proceed with the sale of the Option Rights. Actual receipt of a mailed notice by the registered owner of any Bond shall not be a condition precedent to the sale of the Option Rights with respect to that

Bond or any other Bond. A certificate by the Fiscal Agent that such notice has been given as herein provided shall be conclusive as against all parties.

(viii) Notwithstanding Article VIII hereof, any provision in this Ordinance dealing with Option Rights or the Rights Certificates may be amended by the City, prior to the sale of the Option Rights without consent of the holders of the applicable series of Bonds, provided that no such amendment may be made which adversely affects or changes the security for or payment of the Bonds, or manner of making such payment, or which permits Bonds of such series to be called for mandatory tender for purchase prior to the dates specified or at prices less than those specified in such series of Bonds, or which permits less than thirty (30) days mailed notice to the registered owner of any such Bonds called for mandatory tender for purchase, or which permits the City to sell the Option Rights without making the mailing of a notice to the owners of the Bonds subject to the Option Rights as required in paragraph (vii) of this Section 5.05(c).

(ix) The City shall not sell Option Rights (other than mandatory sinking fund Option Rights) in such amounts and for such periods so that on any mandatory sinking fund redemption date, there are insufficient callable bonds for the appropriate maturity, available to meet the mandatory sinking fund redemption requirement.

SECTION 14. This Ordinance is supplementary to the General Ordinance and all sections of the General Ordinance and the Act not inconsistent herewith are applicable to the Bonds. All definitions of terms contained in the Act or the General Ordinance not inconsistent herewith shall apply to such terms in this Ordinance.

APP. NO. 13-22

SECTION 15. This Ordinance shall take effect immediately.

EXHIBIT A  
OFFICE OF THE  
DIRECTOR OF FINANCE

*December 1, 1992.*

To the President and Members of the  
Council of the City of Philadelphia.

FINANCIAL REPORT OF THE DIRECTOR OF  
FINANCE

RE: Philadelphia Gas Works Revenue Bonds,  
Fourteenth Series

The Mayor has transmitted to the Council the Fourteenth Supplemental Ordinance (the "Fourteenth Supplemental Ordinance") to the General Gas Works Revenue Bond Ordinance of 1975, as amended (the "General Ordinance"), authorizing the issuance and sale of a maximum principal amount of \$400,000,000 (or, if the Bonds are sold at a discount, such greater principal amount as will reflect such discount so long as the aggregate gross proceeds to the City do not exceed (\$400,000,000) of Gas Works Revenue Bonds, Fourteenth Series (the "Bonds") of the City of Philadelphia (the "City").

In preparation for the issuance of the Bonds, the Philadelphia Gas Works, a City-owned utility (the "Gas Works") has engaged the firm of Stone and Webster Management Consultants, Inc. of New York, New York ("Stone and Webster") to (i) investigate the physical properties included in the Gas Works and the accounts and records of the Gas Works; (ii) review the capital program of the Gas Works; and (iii) compile relevant data upon which to make projections to determine whether the revenues of the Gas Works are and will be sufficient to satisfy the tests of adequacy required by Act No. 234 of October 18, 1972, known as the First Class City Revenue Bond Act (the "Act") and the General Ordinance.

The firm of Stone and Webster is an independent consulting firm having broad experience in utility systems of a similar magnitude and scope as the Gas Works and has a favorable reputation for competence in this field of work. They have conducted an in-depth examination of the Gas Works and have collaborated with the officers and employees of the Gas Works in the preparation of a report (the "Engineering Report"), a copy of which is attached hereto.

The Engineering Report forms the basis for the statements and opinions contained herein. The Engineering Report has been reviewed by the Gas Works.

Therefore, this Financial Report is transmitted in compliance with Section 3 of the Act and Section 4.03(a) of the General Ordinance:

(i) The Bonds are to be issued in respect of capital costs of the Gas Works incurred or to be incurred for the purpose of (a) acquiring and constructing the capital improvements included in the capital program of the Gas Works as from time to time included in the capital budgets of the Gas Works, as approved by City Council which may include, without limitation (1) the acquisition of land or rights therein; (2) the acquisition, construction or improvement of buildings, structures and facilities together with their related furnishings, equipment, machinery and apparatus; (3) the acquisition, construction or replacement of pipes and pipe lines; and (4) the acquisition or replacement of property of a capital nature for use in the operation, maintenance and administration of the Gas Works; (b) paying the costs of issuing the Bonds and making any required deposits to the Sinking Fund Reserve; (c) paying any other Project Costs and reimbursing the Gas Works or the City for amounts advanced for Project Costs and (d) the funding or refunding of outstanding bond anticipation notes or other obligations of the City issued in respect of Project Costs.

(ii) The revenues pledged for the payment of the Bonds will be derived from the gas rents, rates and charges imposed or charged by the Gas Works upon the owners or occupants of properties connected to, and upon all users of, gas distributed by the Gas Works and all other revenues derived therefrom, being all revenues defined as "Project Revenues" in the Act and in the General Ordinance.

(iii) Assuming not more than \$400,000,000 of Bonds are to be issued, amortizing over 30 years, at an average interest rate not exceeding 8.50 percent, I find that with the rates currently in effect and on the basis of estimated future financial operations of the Gas Works, as detailed in the Engineering Report, the Gas Works will, in my opinion, yield pledged Project Revenues over the amortization period of the Bonds sufficient to meet the payment and/or deposit requirements of (a) all expenses of operation, maintenance, repair and replacement of the Gas Works; (b) all reserve or special funds required to be established and maintained with respect to such Project Revenues; (c) the principal of and interest on all Gas Works Revenue Bonds, as the same shall become due and payable; and (d) any State taxes assumed by the City to be paid on the Bonds and also to provide such coverage on the Bonds as prescribed by Section 4.03(b) of the General Ordinance.

(iv) The project revenues forming the basis for the statements set forth in clause (iii) above comply with the requirements of the definition of "Project Revenues" contained in Section 2 of the Act. Furthermore, the statements set forth in clause (iii) above as to the sufficiency of Project Revenues, would not be substantially affected by a 200 basis point increase in the Bonds' interest rate or mathematically equivalent changes in the Bonds' parameters.

(v) Based on their investigations, Stone and Webster have found that the Gas Works is in good operating condition and that adequate steps are being taken to maintain it in good operating condition.

For the purpose of the opinion expressed in clause (iii) above, you are advised that no State taxes on the Bonds are assumed by the City.

Respectfully submitted,

STEPHEN P. MULLIN,

*Director of Finance.*

EXHIBIT B  
CITY SOLICITOR

December 1, 1992.

Honorable John F. Street, President  
City Council of Philadelphia.

RE: Philadelphia Gas Works  
Revenue Bonds, Fourteenth Series

Dear Council President Street:

The office of the City Solicitor has reviewed the First Class City Revenue Bond Act, the General Gas Works Revenue Bond Ordinance of 1975, as amended (the "General Ordinance"), and the proposed Fourteenth Supplemental Ordinance thereto authorizing the issuance of Gas Works Revenue Bonds in the maximum principal amount of \$400,000,000 (or, if the Bonds are sold at a discount, such greater principal amount as will reflect such discount so long as the aggregate gross proceeds to the City do not exceed \$400,000,000) (the "Fourteenth Supplemental Ordinance").

Based on that review, it is my opinion that the registered owners of bonds to be issued under the Fourteenth Supplemental Ordinance will have no claim upon the taxing power or general revenues of the City of Philadelphia, nor will they have any lien upon any property of the City of Philadelphia other than the Project Revenue (as defined in the General Ordinance) and the funds properly pledged to such bond owners pursuant to the terms and conditions of the General Ordinance and the Fourteenth Supplemental Ordinance.

Sincerely,

JUDITH E. HARRIS,

*City Solicitor.*

CERTIFICATION: This is a true and correct copy of the  
original Ordinance approved by the Mayor on

JANUARY 28, 1993

*Maria B. Green*

Chief Clerk of the Council



( Bill No. 990285 )

AN ORDINANCE

Constituting the Sixteenth Supplemental Ordinance to the General Gas Works Revenue Bond Ordinance of 1975, as amended (the "1975 General Ordinance"); authorizing the Mayor, the City Controller and the City Solicitor, or a majority of them, to sell, either at public or private sale, Gas Works Revenue Bonds (1975 General Ordinance), Sixteenth Series, of the City of Philadelphia, in one or more subseries, in the maximum aggregate principal amount of eighty million (80,000,000) dollars (the "Sixteenth Series Bonds"); provided, however, that, if the Sixteenth Series Bonds are sold at a discount, the aggregate principal amount may be increased to reflect such discount as long as the aggregate gross proceeds to the City from the sale of the Sixteenth Series Bonds do not exceed eighty million (80,000,000) dollars, plus accrued interest, if any; designating that the Sixteenth Series Bonds are being issued to redeem or refund all or a portion of certain outstanding series of revenue bonds of the Philadelphia Gas Works (the "Gas Works") and the application of proceeds of the Sixteenth Series Bonds for such purpose; authorizing the City to obtain credit enhancement for the Sixteenth Series Bonds; determining the sufficiency of Gas Works revenues; covenanting the separation of Gas Works revenue accounts and proceeds of the Sixteenth Series Bonds from general accounts of the City; covenanting the payment of interest and principal on the Sixteenth Series Bonds; authorizing covenants and action in

# City of Philadelphia

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order that the Sixteenth Series Bonds shall not be arbitrage bonds; authorizing the Sixteenth Series Bonds to be issued in book-entry form and providing book-entry provisions to apply in such case; and providing that this Ordinance is supplemental to the 1975 General Ordinance and that the provisions of the 1975 General Ordinance, to the extent not modified, amended or superseded by this Ordinance, are applicable.

## THE COUNCIL OF THE CITY OF PHILADELPHIA HEREBY ORDAINS:

SECTION 1. The Mayor, the City Controller and the City Solicitor (the "Bond Committee"), or a majority of them, are hereby authorized, on behalf of the City, to borrow, by the issuance and sale of the City's Gas Works Revenue Bonds (1975 General Ordinance), Sixteenth Series (the "Sixteenth Series Bonds"), in one or more subseries and with such relative priorities as they deem desirable, pursuant to The First Class City Revenue Bond Act of October 18, 1972, Act No. 234 (the "Act") and the General Gas Works Revenue Bond Ordinance of 1975, Bill No. 1871 (approved May 30, 1975), as amended (the "1975 General Ordinance"), a sum or sums which in the aggregate shall not exceed the principal amount of Sixteenth Series Bonds authorized to be issued hereunder, to be expended as provided in Section 2 of this Ordinance. The Sixteenth Series Bonds shall be sold at public or private sale and shall contain such terms and provisions as are determined by a majority of the Bond Committee to be in the best interests of the City and are not inconsistent with the provisions hereof, of the Act, of the 1975 General Ordinance or of any other applicable law. If a majority of the Bond Committee determines it to be in the best interests of the City, the Sixteenth Series Bonds may be issued in book-entry form; and in such event a majority of the Bond Committee shall also select a securities depository (the

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"Depository") for the Sixteenth Series Bonds. If a majority of the Bond Committee determines it to be in the best interests of the City, the City may obtain credit enhancement for all or a portion of the Sixteenth Series Bonds. A majority of the Bond Committee is authorized to take any and all other actions as may be necessary or appropriate in connection with the consummation of the transactions contemplated herein.

The Sixteenth Series Bonds are authorized to be issued hereunder in an aggregate principal amount up to eighty million (80,000,000) dollars; provided, however, that, if any of the Sixteenth Series Bonds are to be sold at discounts which are in lieu of periodic interest, the aggregate principal amount of Sixteenth Series Bonds which may be issued hereunder shall be increased to reflect such discounts, as long as the aggregate gross proceeds to the City from the sale of the Sixteenth Series Bonds shall not exceed eighty million (80,000,000) dollars, plus accrued interest, if any.

The Sixteenth Series Bonds shall not pledge the City's credit or taxing power, create any debt or charge against the tax or general revenues of the City or create any lien against any property of the City other than the revenues pledged by the 1975 General Ordinance. The opinion of the City Solicitor required by Section 8 of the Act with respect to the matters stated in the preceding sentence is attached hereto as Exhibit A.

SECTION 2. The Sixteenth Series Bonds shall be issued for the purpose of providing funds for any or all of the following purposes: (i) the refunding of all or a portion of the City's outstanding Gas Works Revenue Bonds, Eleventh Series C and Fourteenth Series (the "Prior Bonds"), which were issued under the 1975 General Ordinance; (ii) paying the costs of issuing the Sixteenth Series Bonds and making any required deposit to the Sinking Fund Reserve; and (iii) paying any other Project Costs

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(as defined in the Act) relating to the refunding of the Prior Bonds or the issuance of the Sixteenth Series Bonds, which may include, without limitation, the repayment to any fund of the City or to accounts of the Philadelphia Gas Works (the "Gas Works") of amounts advanced for Project Costs, and the funding or refunding of outstanding bond anticipation notes or other obligations of the City issued in respect of Project Costs.

The City covenants that proceeds of the Sixteenth Series Bonds applicable to the refunding of Prior Bonds will be deposited in one or more escrow or similar accounts with the Fiscal Agent under and as defined in the 1975 General Ordinance, separate and apart from all other accounts of the City or the Gas Works, including the Sinking Fund established by the 1975 General Ordinance, to be held for the benefit of the holders of the applicable refunded Prior Bonds and applied to payment of refunded Prior Bonds in accordance with a certificate of the Director of Finance or an escrow deposit agreement (as to Prior Bonds that are being currently refunded) or an escrow deposit agreement (as to Prior Bonds that are being advance refunded).

The Director of Finance is hereby authorized to determine, on behalf of the City, the particular series and maturities of the Prior Bonds to be refunded and the amount of proceeds of the Sixteenth Series Bonds to be applied to the refunding of such Prior Bonds, to use such proceeds to redeem, or to deposit in an escrow account for the benefit of the holders of, the refunded Prior Bonds, and to take any and all other action, including the irrevocable pledge of such proceeds and/or the income or profit from the investment thereof, for the payment and redemption of the refunded Prior Bonds, and the publication of all required redemption notices or the giving of irrevocable instructions therefor, as may be necessary or appropriate to accomplish the refunding of the Prior Bonds selected for refunding and to

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comply with the requirements of Section 10 of the Act.

SECTION 3. Based on the report of the Director of Finance of the City required by Section 8 of the Act (the "Financial Report"), it is hereby determined that the pledged Project Revenues (as defined in the 1975 General Ordinance) will be sufficient to comply with the rate covenant contained in Section 4.03(b) of the 1975 General Ordinance and also to pay all costs, expenses and payments required to be paid therefrom in the order and priority stated in Section 4.02 of the 1975 General Ordinance. An executed copy of the Financial Report is attached hereto as Exhibit B.

SECTION 4. The City covenants that, as long as any of the Sixteenth Series Bonds shall remain outstanding, all pledged Project Revenues shall be deposited and held in and disbursed from one or more unsegregated accounts of the Gas Works which shall be separate from and not commingled with the consolidated cash account of the City or any other account of the City not held exclusively for Gas Works purposes. This covenant shall not be construed to require the establishment of any Gas Works account segregated from any other Gas Works accounts except as provided in Section 2 hereof or as otherwise required by the 1975 General Ordinance.

SECTION 5. The City covenants that, as long as any Sixteenth Series Bonds shall remain unpaid, it shall make payments or cause payments to be made out of its Gas Works Revenue Bond Sinking Fund created under the 1975 General Ordinance at such times and in such amounts as shall be sufficient for the payment of the interest thereon and the principal thereof when due; provided, however, that whenever the City shall be required to deposit moneys with the Fiscal Agent for the mandatory redemption of any of the Sixteenth Series Bonds, such obligation may be satisfied, in whole or in

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part, by the delivery by the City to the Fiscal Agent of a principal amount of Sixteenth Series Bonds of the maturity required to be redeemed for cancellation prior to the date specified for such redemption.

SECTION 6. The Director of Finance is authorized to make such elections under the Internal Revenue Code of 1986, as amended, and Treasury Regulations promulgated thereunder with respect to the Sixteenth Series Bonds and to take such actions on behalf of the City with respect to the investment of the proceeds of the Sixteenth Series Bonds as he deems advisable, and the Director of Finance or any member of the Bond Committee is authorized to make such covenants as may be necessary or advisable in order that the Sixteenth Series Bonds shall not be "arbitrage bonds" as defined in the Internal Revenue Code of 1986, as amended.

SECTION 7. In the event Sixteenth Series Bonds are issued in book-entry form, the ownership of one fully registered Sixteenth Series Bond for each maturity, each in the aggregate principal amount of such maturity, will be registered in the name(s) designated by the Depository. So long as, but only so long as, the book-entry only system is applicable to the Sixteenth Series Bonds, the following provisions of this Section 7 shall govern as to matters set forth in Section 3 of the 1975 General Ordinance.

Pursuant to the book-entry only system, ownership interests in the Sixteenth Series Bonds may be purchased in the manner directed by the Depository, which may be through financial institutions for whom the Depository effects book-entry transfers (the "Participants"). A person who owns such an interest in a Sixteenth Series Bond (a "Beneficial Owner"), will not receive certificated Sixteenth Series Bonds and will not be the registered owner thereof. Receipt by the Beneficial Owners

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of timely payment of principal, purchase price, redemption price and interest on the Sixteenth Series Bonds is subject to the Depository's making such timely payment, either to the Beneficial Owner or to the Participants to be forwarded to the Beneficial Owners. Neither the City nor the Fiscal Agent will have any responsibility or obligation to such Participants or to the Beneficial Owners for any failure of the Depository to act or make any payment with respect to the Sixteenth Series Bonds or the providing of notices relating to redemption or mandatory tender to Participants or the Beneficial Owners of the Sixteenth Series Bonds.

The Depository will receive payments from the Fiscal Agent to be remitted by the Depository to the Beneficial Owners or to the Participants for whom the Depository holds the Sixteenth Series Bonds for subsequent disbursement to the Beneficial Owners. The ownership interest of each Beneficial Owner in the Sixteenth Series Bonds shall be recorded on the records of the Depository or the records of the Participants, whose ownership interests will be recorded on the records of the Depository.

When notices are given, they shall be sent by the Fiscal Agent to the Depository with a request that the Depository forward (or cause to be forwarded) the notice to the Participants so that such Participants may forward (or cause to be forwarded) the notices to the Beneficial Owners.

Transfers of ownership interests in the Sixteenth Series Bonds will be accomplished by book-entries made by the Depository and/or the Participants who act on behalf of the Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in the Sixteenth Series Bonds, except as specifically provided herein. So long as the Depository is the Bondholder, interest, principal and

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redemption price of the Sixteenth Series Bonds will be paid when due by the Fiscal Agent to the Depository, then paid by the Depository to the Beneficial Owners, or by the Depository to the Participants and thereafter paid by the Participants to the Beneficial Owners. The payments to the Depository shall satisfy the City's obligations under the Sixteenth Series Bonds.

For every transfer and exchange of the Sixteenth Series Bonds, the Fiscal Agent, the Depository and the Participants may charge the Beneficial Owner of the Sixteenth Series Bonds a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto. No transfer or exchange of any Sixteenth Series Bonds shall be required to be made fewer than fifteen (15) days prior to any interest payment date or fifteen (15) days prior to any mailing of notice of redemption of the Sixteenth Series Bonds. No transfers shall be made of Sixteenth Series Bonds previously called for redemption, except pursuant to any optional or mandatory tender provisions thereof.

The Depository may determine to discontinue providing its services with respect to the Sixteenth Series Bonds at any time by giving notice to the City and the Fiscal Agent and discharging its responsibilities with respect thereto under applicable law. Under such circumstances (if there is no successor securities depository), the City is obligated to deliver bond certificates in such names as the City and the Fiscal Agent are directed by the Depository.

The Bondholders have no right to a depository for the Sixteenth Series Bonds. If the book-entry only system is no longer utilized, bond certificates will be issued in such names as the City and the Fiscal Agent are directed by the Depository.

Notwithstanding any other provision of the 1975 General

# City of Philadelphia

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Ordinance, so long as the Depository is the registered Bondholder of all Sixteenth Series Bonds, the Depository may present notices, approvals, waivers or other communications required or permitted to be made by Bondholders under the 1975 General Ordinance on a fractionalized basis on behalf of some or all of the Beneficial Owners.

The appropriate officials of the City are authorized to execute any documentation required by the Depository in connection with book-entry registration of the Sixteenth Series Bonds.

SECTION 8. This Ordinance is supplementary to the 1975 General Ordinance and all sections of the 1975 General Ordinance not modified, amended or superseded by this Ordinance are applicable to the Sixteenth Series Bonds. All definitions of terms contained in the Act or the 1975 General Ordinance not inconsistent herewith shall apply to such terms in this Ordinance.

SECTION 9. This Ordinance shall take effect immediately.

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# City of Philadelphia

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CERTIFICATION: This is a true and correct copy of the original Bill, Passed by the City Council on May 27, 1999 The Bill was Signed by the Mayor on May 31, 1999



Marie B. Hauser  
Chief Clerk of the City Council

Certificate As To Legislative Procedures, Compliance  
With Statutory Requirements and Effective Status of  
Bond Ordinance and Related Ordinances

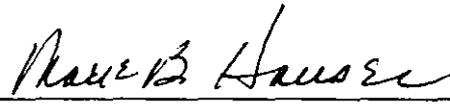
Re: \$113,965,000 City of Philadelphia, Pennsylvania  
Gas Works Revenue Bonds (1998 General Ordinance), Second Series

I, Marie B. Hauser, Chief Clerk of the Council of the City of Philadelphia, Pennsylvania (the "Council"), do hereby certify that it appears from the records of said Council that:

- a. Public hearings were held on each of the Bills listed below, as required by Section 2-201(2) of the Philadelphia Home Rule Charter:
  - i. Bill No. 980232 approved by the Mayor on May 8, 1998, authorizing generally the issuance and sale of Gas Works Revenue Bonds as specified by supplemental ordinances (hearing held April 21, 1998).
  - ii. Bill No. 990286 approved by the Mayor on May 31, 1999, authorizing the creation of a loan in the amount of up to \$115,000,000 to be evidenced by Gas Works Revenue Bonds (hearing held May 11, 1999).
- b. Notice of public hearings on said Bills and of their reports from committee were duly given by advertisement, each such Bill was duly enacted by the affirmative vote of a majority of all the members of the Council after the elapse of not less than five days from the printing and distribution of such Bill as reported from committee, and the votes thereon have been recorded in the Journal of Council, all as required by Section 2-201 of the Philadelphia Home Rule Charter.
- c. A summary of each section of Bills No. 980232 and No. 990286 were duly published, as required by Article XVIII, Section 3, of the Act of June 25, 1919, P.L. 581, and each such Bill was duly passed by the affirmative vote of two-thirds of the members of the Council, as required by Article XVIII, Section 1, of such Act.
- d. Prior to the enactment of Bill No. 990286, the Director of Finance of the City of Philadelphia (the chief fiscal officer of the City of Philadelphia), in accordance with Section 8 of The First Class City Revenue Bond Act, Act. No. 234, approved October 18, 1972 (the "Revenue Bond Act"), filed with Council the following documents:
  - i. An executed copy of the financial report dated May 7, 1999, signed by the chief fiscal officer of the City of Philadelphia, together with an executed letter of Stone & Webster Management Consultants, Inc., independent consultants, addressed to the Director of Finance of the City of

Philadelphia, and a copy of the report on the Gas Works of the City of Philadelphia prepared by said independent consultants attached thereto, as required by Section 8(a) of the Revenue Bond Act; and

- ii. An executed copy of the opinion of Stephanie L. Franklin-Suber as City Solicitor, dated May 11, 1999, required by Section 8(b) of the Revenue Bond Act.
  
- e. The copies of the Ordinances attached hereto (identified as Bills No. 980232 and No. 990286) are true and correct copies of the originals of those Ordinances on file in the office of the Chief Clerk of the Council; and such Ordinances have not been amended or repealed and are in full force and effect on the date of this certificate.



Chief Clerk of the Council of the  
City of Philadelphia

(SEAL)

Dated: June 23 1999

# City of Philadelphia

Bill No. 980232

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CERTIFICATION: This is a true and correct copy of the original Bill, Passed by the City Council on April 30, 1998 The Bill was Signed by the Mayor on May 8, 1998



Marie B. Hauser  
Chief Clerk of the City Council

# City of Philadelphia



( Bill No. 980232 )

## AN ORDINANCE

Authorizing, generally, the issuance of Gas Works Revenue Bonds of the City of Philadelphia which shall be subordinate to bonds issued under the General Gas Works Revenue Bond Ordinance of 1975, which ordinance is hereby amended to limit issuances of bonds thereunder, prescribing the form of bonds issued hereunder and providing for their execution, transfer, exchange, payment and redemption, prescribing the conditions precedent to the issue of specific series of bonds, including supplemental authorizing ordinances, pledging certain revenues of the Gas Works as security, adopting a rate covenant, and directing the Gas Commission to impose rates sufficient to comply therewith, designating a fiscal agent and sinking fund depository, establishing a Sinking Fund, including a Sinking Fund Reserve, and providing for its management, providing remedies upon default, and providing for amendments and modifications.

*THE COUNCIL OF THE CITY OF PHILADELPHIA HEREBY ORDAINS:*

SECTION 1.

ARTICLE I

# City of Philadelphia

Bill No. 980232

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## AUTHORIZATION, SCOPE AND PURPOSE SHORT TITLE

This Ordinance is enacted pursuant to the provisions of The First Class City Revenue Bond Act approved October 18, 1972 (Act No. 234, 53 P.S. 15901 et seq.), as amended, for the purpose of authorizing the issuance from time to time of revenue bonds of the City to be secured by a pledge of certain revenues of the Gas Works as security, in such principal amounts as shall from time to time be authorized by further ordinances of the Council of the City as more particularly hereinafter set forth. This Ordinance shall be known as the General Gas Works Revenue Bond Ordinance of 1998.

### ARTICLE II

#### DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

**SECTION 2.01. Definitions.** For all purposes of this Ordinance and any ordinance supplemental hereto, except as otherwise expressly provided or unless the context otherwise requires:

**Accreted Value** means, with respect to any Capital Appreciation Bond, as of any specified date, the Original Value of such Bond, plus interest accreted on such Bond to such date, all as may be provided in an applicable Supplemental Ordinance.

**Act** means The First Class City Revenue Bond Act approved October 18, 1972 (Act No. 234, 53 P.S. 15901 et seq.), as from time to time amended. The words and phrases which are defined in the Act shall have such defined meanings when used in this Ordinance.

# City of Philadelphia

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# City of Philadelphia

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Exchange Agreement, any right, remedy or claim under or by reason of this Ordinance or any covenants, condition or stipulation therefor; and all the covenants, stipulations, promises and agreements in this Ordinance by and on behalf of the City shall be for the sole and exclusive benefit of the City, the Fiscal Agent, the Holders of Bonds and each provider of a Credit Facility, Qualified Swap or Exchange Agreement.

**SECTION 11.04. Repeals.** All ordinances and parts of ordinances heretofore adopted to the extent that the same are inconsistent herewith are hereby repealed.

# City of Philadelphia

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**Bond or Bonds** means any Gas Works revenue bond or note of the City issued and outstanding pursuant to the Act under this Ordinance and any Supplemental Ordinance.

**Bond Counsel** means any firm of nationally recognized bond counsel acceptable to the City.

**Bondholder or Holder** means the registered owner of any Bond.

**Bond Register** means the list of the names and addresses of Bondholders and the principal amounts and numbers of the Bonds held by them maintained by the Fiscal Agent on behalf of the City.

**Bond Year** for any Series of Bonds means each one-year period (or shorter period from the date of issue) that ends at the close of business on the date in the calendar year that is selected by the City as permitted under the Code. If no day is selected by the City before the earlier of the final maturity date of the Series of Bonds or the date that is five (5) years after the issue date, the Bond Year with respect to such Series of Bonds shall end on each anniversary of the issue date and on the final maturity date.

**Business Day** means a day other than a Saturday, Sunday or holiday on which the Fiscal Agent is authorized or required to be closed under applicable state or federal law.

**Capital Appreciation Bonds** means any Bonds issued hereunder which do not pay interest until maturity or until a specified date prior to maturity, but whose Original Value accretes periodically to the amount due on the maturity date.

**City** means The City of Philadelphia, Pennsylvania.

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**City Charges** means the proportionate charges, if any, for services performed for the Gas Works by all officers, departments, boards or commissions of the City which are contained in the computation of operating expenses of the Gas Works, including, without limitation, the expenses of the Gas Commission, and also means the base payments to the City contained in the Management Agreement and all other payments made to the City from Gas Works Revenues.

**City Controller** means the head of the City's auditing department as provided by the Philadelphia Home Rule Charter.

**City Solicitor** means the head of the City's law department as provided by the Philadelphia Home Rule Charter.

**Code** means the Internal Revenue Code of 1986, as amended, or any successor legislation, and the regulations and published rulings promulgated thereunder or applicable thereto.

**Credit Facility** means any letter of credit, standby bond purchase agreement, line of credit, surety bond, insurance policy or other insurance commitment or similar agreement (other than a Qualified Swap or an Exchange Agreement) that is provided by a commercial bank, insurance company or other institution, with a current long term rating (or whose obligations thereunder are guaranteed by a financial institution with a long term rating) from Moody's and S&P not lower than "A."

**Credit Facility Issuer or issuer of a Credit Facility** means each issuer of a Credit Facility then in effect, and its successors. References herein to the Credit Facility Issuer shall be read to mean the issuer of the Credit Facility applicable to a particular Series of Bonds or each issuer of a Credit Facility, as

# City of Philadelphia

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exclusively to the funds so deposited for any claims of whatsoever nature with respect to such Bond or Bonds, and the Fiscal Agent shall hold such funds in trust for the Holder or Holders of such Bond or Bonds.

Moneys deposited with the Fiscal Agent pursuant to the preceding paragraphs which remain unclaimed two (2) years after the date payment thereof becomes due shall, upon written request of the City, if the City is not at the time to the knowledge of the Fiscal Agent (the Fiscal Agent having no responsibility to independently investigate) in default with respect to any covenant in this Ordinance or the Bonds, be paid to the City, and the Holders of the Bond for which the deposit was made shall thereafter be limited to a claim against the City; provided, however, that before making any such payment to the City, the Fiscal Agent shall, at the expense of the City, publish in a newspaper of general circulation published in the City, a notice that said moneys remain unclaimed and that, after a date named in said notice, which date shall not be less than thirty (30) days after the date of publication of such notice, the balance of such moneys then unclaimed will be paid to the City.

**SECTION 11.02. Ordinances are Contracts With Bondholders.** This Ordinance and Supplemental Ordinances adopted pursuant hereto are contracts with the Holders of all Bonds from time to time Outstanding hereunder and thereunder and shall be enforceable in accordance with the provisions of Article VIII and the laws of the Commonwealth of Pennsylvania.

**SECTION 11.03. Parties Interested Herein.** Nothing in this Ordinance expressed or implied is intended or shall be construed to confer upon, or to give to, any person or entity, other than the City, the Holders of Bonds, the Fiscal Agent, and each provider of a Credit Facility, Qualified Swap or

## ARTICLE XI

### MISCELLANEOUS

**SECTION 11.01. Deposit of Funds for Payment of Bonds.** When interest on, and principal or redemption price (as the case may be) of, all Bonds issued hereunder, and all amounts owed under any Credit Facility, Qualified Swap and Exchange Agreement entered into hereunder (other than termination payments), have been paid, or there shall have been deposited with the Fiscal Agent an amount, evidenced by moneys or Qualified Escrow Securities the principal of and interest on which, when due, will provide sufficient moneys to fully pay the Bonds at the maturity date or date fixed for redemption thereof, and all amounts owed under any Credit Facility, Qualified Swap and Exchange Agreement entered into hereunder (other than termination payments), the pledge and grant of security interest in the Gas Works Revenues made hereunder shall cease and terminate, and the Fiscal Agent and any other depository of funds and accounts established hereunder shall turn over to the City or to such person, body or authority as may be entitled to receive the same all balances remaining in any funds and accounts established hereunder.

If the City deposits with the Fiscal Agent moneys or Qualified Escrow Securities sufficient to pay the principal or redemption price of any particular Bond or Bonds becoming due, either at maturity or by call for redemption or otherwise, together with all interest accruing thereon to the due date, interest on such Bond or Bonds shall cease to accrue on the due date and all liability of the City with respect to such Bond or Bonds shall likewise cease, except as provided in the following paragraph. From and after such deposit, such Bond or Bonds shall be deemed not to be Outstanding hereunder and the Holder or Holders thereof shall have recourse solely and

the context requires.

**Debt Service Requirements** means, for a specified period, the sum of (i) the principal of (whether at maturity or pursuant to mandatory redemption) and interest (other than capitalized interest) on Outstanding Bonds payable during the period and (ii) all net amounts due and payable by the City under Qualified Swaps and Exchange Agreements during the period. For purposes of estimating Debt Service Requirements for any future period, (i) any Option Bond outstanding during such period shall be assumed to mature on the stated maturity date thereof, except that the principal amount of any Option Bond tendered for payment and cancellation before its stated maturity date shall be deemed to accrue on the date required for payment pursuant to such tender; (ii) Debt Service Requirements on Bonds for which the City has entered into a Qualified Swap or an Exchange Agreement shall be calculated assuming that the interest rate on such Bonds shall equal the stated fixed or variable rate payable by the City on the Qualified Swap or Exchange Agreement or, if applicable and if greater than such stated rate, the applicable rate for any Bonds issued in connection with the Qualified Swap or Exchange Agreement adjusted, in the case of variable rate obligations, as provided in Section 4.03(b); and (iii) Debt Service Requirements with respect to Variable Rate Bonds shall be subject to adjustments as permitted by Section 4.03(b).

**Director of Finance** means the chief financial, accounting and budget officer of the City as established by the Philadelphia Home Rule Charter, including a person acting as Director of Finance under applicable law.

**Exchange Agreement** means, with respect to a Series of Bonds, or any portion thereof to the extent from time to time permitted by applicable law, any interest exchange agreement,

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interest rate swap agreement, currency swap agreement or other contract or agreement, other than a Qualified Swap, authorized, recognized and approved by a Supplemental Ordinance as an Exchange Agreement and providing for payments to and from an entity whose senior long term debt obligations, other senior unsecured long term obligations, or claims paying ability or whose obligations under an Exchange Agreement are guaranteed by an entity whose senior long term debt obligations, other senior unsecured long term obligations or claims paying ability, are rated not less than A3 by Moody's, A- by S&P or A- by Fitch, or the equivalent thereof by any successor thereto as of the date the Exchange Agreement is entered into, which payments are calculated by reference to fixed or variable rates and constituting a financial accommodation between the City and the counterparty.

**Fiscal Agent** means any bank, bank and trust company or trust company named as such in Section 6.02 or its successor.

**Fiscal Year** means the fiscal year of the Gas Works.

**Fitch** means Fitch IBCA, Inc., a corporation organized and existing under the laws of the State of New York, its successors and assigns and if such corporation shall for any reason no longer perform the functions of a securities rating agency, "Fitch" shall be deemed to refer to any other nationally recognized securities rating agency designated by the City. Whenever rating categories of Fitch are specified in this Ordinance, such categories shall be irrespective of gradations within a category.

**Gas Commission** means the Gas Commission provided for by the Philadelphia Home Rule Charter as presently constituted or hereafter reconstituted in accordance with law.

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respect to any Outstanding Bonds to alter the amount, rate or time of payment, respectively, of the principal thereof or the interest thereon or to alter the redemption provisions thereof without the written consent of the Holders of all affected Outstanding Bonds; and (f) except as aforesaid, in such other respect as may be authorized in writing by the Holders of a majority in principal amount (using Accreted Value in the case of Capital Appreciation Bonds) of the Bonds Outstanding and affected. The written authorization of Bondholders' of any supplement to or modification or amendment of this Ordinance or any Supplemental Ordinance need not approve the particular form of any proposed supplement, modification or amendment but only the substance thereof.

## ARTICLE X

### CLOSURE OF 1975 ORDINANCE

**SECTION 10.01. Limits on Issuances Under 1975 Ordinance.** After the adoption of this Ordinance, the City shall not issue any bonds under the 1975 Ordinance except to refund bonds issued under the 1975 Ordinance or to replace bonds issued thereunder which have been mutilated, destroyed, lost or stolen as provided therein or in substitution for bonds issued thereunder upon transfer or exchange as provided therein.

**SECTION 10.02. Designation of Refunding Bonds Under 1975 Ordinance.** Any refunding bonds issued under the 1975 Ordinance shall include in the title of such bonds a designation indicating that such bonds relate to the 1975 Ordinance in order to distinguish such bonds from Bonds issued under this Ordinance.

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of money against the City by reason of default hereunder shall be enforceable only against the Gas Works Revenues, amounts in the Sinking Fund Reserve and other amounts which may be specifically pledged therefor and the investments thereof and no decree or judgment against the City upon an action brought hereunder shall order or be construed to permit the occupation, attachment, seizure, or sale upon execution of any other property of the City.

## ARTICLE IX

### AMENDMENTS AND MODIFICATIONS

SECTION 9.01. In addition to the adoption of Supplemental Ordinances supplementing or amending this Ordinance as provided in Section 4.06 in connection with the issuance of successive Series of Bonds, this Ordinance and any Supplemental Ordinance may be further supplemented, modified or amended: (a) to cure any ambiguity, formal defect or omission herein or therein; (b) to make such provisions in regard to matters or questions arising hereunder or thereunder which shall not be inconsistent with the provisions hereof or thereof and which shall not adversely affect the interests of Bondholders; (c) to grant to or confer upon Bondholders or a trustee, if any, for the benefit of Bondholders any additional rights, remedies, powers, authority or security that may be lawfully granted or conferred; (d) to incorporate modifications requested by any Rating Agency to obtain or maintain a credit rating on any Series of Bonds; (e) to comply with any mandatory provision of state or federal law or with any permissive provision of such law or regulation which does not substantially impair the security or right to payment of the Bonds, but no amendment or modification shall be made with

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Gas Works means all property, real and personal, owned by the City and used in the acquisition or manufacture, storage and distribution of natural, liquefied, synthetic or manufactured gas or in the maintenance, management or administration thereof and all activities ancillary and related thereto, and also means, as the context may require, the business entity managed by the Manager.

Gas Works Revenues means all operating and nonoperating revenues of the Gas Works derived from its activities and assets involved in the supply, manufacture, storage and distribution of gas, including all rents, rates and charges imposed or charged by the City upon the owners or occupants of properties connected to, and upon all users of, gas distributed by the Gas Works and all other revenues derived therefrom and all other income derived by the City from the Gas Works. Revenues derived from activities unrelated to the supply, manufacture, storage and distribution of gas or assets related thereto shall not be included in Gas Works Revenues, provided that the Gas Works receives fair payment for the use of gas related assets and personnel of the Gas Works used in such activities, which payments shall be included in Gas Works Revenues. In particular, Gas Works Revenue shall not include revenue from enterprises or functions not related to gas activities (e.g., activities involving the supply, generation or distribution of electricity). Gas Works Revenues shall not include those portions of the Gas Works' rents, rates and charges which are securitized and sold pursuant to Section 4.03(b). Gas Works Revenues may be divided into separate components in one or more Supplemental Ordinances and any Series of Bonds issued thereafter may be limited as to source of payment to one or more of such components as provided in the Supplemental Ordinance authorizing the particular Series of Bonds.

Government Obligations means any of the following which

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are noncallable and which at the time of investment are legal investments under the Act for the moneys proposed to be invested therein:

(a) direct general obligations of, or obligations the payment of principal of and interest on which are unconditionally guaranteed as to full and timely payment by, the United States of America;

(b) direct obligations and fully guaranteed certificates of beneficial interest of the Export-Import Bank of the United States; consolidated debt obligations and letter of credit-backed issues of the Federal Home Loan Banks; participation certificates and senior debt obligations of the Federal Home Loan Mortgage Corporation; debentures of the Federal Housing Administration; mortgage-backed securities (except stripped mortgage securities which are valued greater than par on the portion of unpaid principal) and senior debt obligations of the Federal National Mortgage Association; participation certificates of the General Services Administration; guaranteed mortgage-backed securities and guaranteed participation certificates of the Government National Mortgage Association; guaranteed participation certificates and guaranteed pool certificates of the Small Business Administration; debt obligations and letter of credit-backed issues of the Student Loan Marketing Association; local authority bonds of the U.S. Department of Housing & Urban Development; guaranteed Title XI financings of the U.S. Maritime Administration; or

(c) obligations issued by the Resolution Funding Corporation pursuant to the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (the "FIRRE Act"), (i) the principal of which obligations is payable when due from payments of the maturing principal of non-interest bearing direct obligations of the United States of America which are

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applicable Supplemental Ordinance, then, under and subject to the terms and conditions stated in the Act, the Holder or Holders of any Bond or Bonds shall be entitled to all of the rights and remedies provided in the Act, including the appointment of a trustee; provided, however, that the remedy provided in Section 20(b)(4) of the Act may be exercised only upon the failure of the City to pay, when due, principal and redemption price of (including principal due as a result of a scheduled mandatory redemption) and interest on a Series of Bonds.

Upon the occurrence of an event of default specified in this Section 8.01, the Fiscal Agent shall, within thirty (30) days, give written notice thereof by first-class mail to all Bondholders.

**SECTION 8.02. Remedies Not Exclusive; Effect of Delay In Exercise of Remedies.** No remedy herein or in the Act conferred upon or reserved to the trustee, if one be appointed, or to the Holder of any Bond is intended to be exclusive (except as specifically provided in the Act) of any other remedy or remedies, and each and every such remedy shall be cumulative, and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute.

No delay or omission of the trustee, if one be appointed, or of any Holder of any Bond to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default, or an acquiescence therein; and every power and remedy given by this Article VIII, by the Act or otherwise may be exercised from time to time and as often as may be deemed expedient.

**SECTION 8.03. Remedies to be Enforced Only Against Pledged Revenues.** Any decree or judgment for the payment

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**SECTION 7.03. Valuation of Funds and Accounts.** In computing the assets of any fund or account established hereunder, investments and accrued interest therein shall be deemed a part thereof. Such investments shall be valued on June 30 of each Fiscal Year at the current market value thereof, valuing any Credit Facility held for the Sinking Fund Reserve at the amount which can then be drawn thereunder; provided that any fund or account created by a Supplemental Ordinance may be valued as provided in such Supplemental Ordinance. The annual valuation shall apply for all purposes of this Ordinance except if Bonds are issued or a deficit in the Sinking Fund Reserve occurs, in which cases a valuation shall be made on the date Bonds are issued or the deficit is eliminated, as the case may be. Investment earnings shall be included in Gas Works Revenues and, to the extent not required to be retained in the fund or account to which such earnings relate, shall be transferred to the operating accounts of the Gas Works.

## ARTICLE VIII

### DEFAULTS AND REMEDIES

**SECTION 8.01. Defaults and Statutory Remedies.** If the City shall fail or neglect to pay or to cause to be paid the principal of, or the redemption premium, if any, or the interest on, any Bond, whether at stated maturity or upon call for prior redemption, or if the City, after written notice to it, shall fail or neglect to make any payment owed by it to the provider of a Credit Facility, a Qualified Swap or an Exchange Agreement provided with respect to the Bonds and such provider gives the Fiscal Agent written notice of such failure or neglect, or if the City shall fail to comply with any provision of the Bonds or with any covenant of the City contained in this Ordinance or an

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issued by the Secretary of the Treasury and deposited in the Funding Corporation Principal Fund established pursuant to the FIRRE Act, and (ii) the interest on which obligations, to the extent not paid from other specified sources, is payable when due by the Secretary of the Treasury pursuant to the FIRRE Act.

**Independent** means a person who is not a salaried employee or elected or appointed official of the City; provided, however, that the fact that such person is retained regularly by or transacts business with the City shall not make such person an employee within the meaning of this definition.

**Interim Debt** means any bond anticipation notes or other temporary borrowing which the City anticipates permanently financing with Bonds or other long term indebtedness under this Ordinance or otherwise.

**Management Agreement** means the Agreement dated December 29, 1972 between the City and the Manager for the management and operation of the Gas Works, as presently or hereafter amended, or any successor agreement which may be entered into by the City pertaining to the management of the Gas Works.

**Manager** means Philadelphia Facilities Management Corporation, currently managing the Gas Works pursuant to the Management Agreement, or its successor or such other person, corporation, board, commission or department of the City which may be designated by the City to manage the Gas Works.

**Mayor** means the Mayor of the City.

**Moody's** means Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State

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of Delaware, its successors and assigns, and if such corporation shall for any reason no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the City. Whenever rating categories of Moody's are specified in this Ordinance, such categories shall be irrespective of gradations.

**Net Operating Expenses** means Operating Expenses exclusive of City Charges.

**1975 Ordinance** means the General Gas Works Revenue Bond Ordinance of 1975, as amended.

**Office of the Fiscal Agent** means the corporate trust office of the Fiscal Agent designated by the Fiscal Agent.

**Operating Expenses** means all costs and expenses of the Gas Works necessary and appropriate to operate and maintain the Gas Works in good operable condition during each Fiscal Year, and shall include, without limitation, the Manager's fee, salaries and wages, purchases of service by contract, costs of materials, supplies and expendable equipment, maintenance costs, costs of any property or the replacement thereof or for any work or project, related to the Gas Works, which does not have a probable useful life of at least five years, pension and welfare plan and workmen's compensation requirements, provision for claims, refunds and uncollectible receivables and for City Charges, all in accordance with generally accepted municipal accounting principles consistently applied, but shall exclude depreciation and interest and sinking fund charges. Operating Expenses shall not include Unrelated Expenses.

**Option Bond** means any Bond which by its terms may be tendered by and at the option of the Holder thereof for payment

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Outstanding hereunder and may be invested and reinvested on a consolidated basis. The principal of and interest on and profits (and losses if any) realized on investments in the Sinking Fund shall be allocated pro rata for the Series of Bonds or the specific Bonds in respect of which such investments were made without distinction or priority, but moneys (and the investments thereof) specifically deposited for the payment of any particular installment of principal, interest (including capitalized interest) or premium in respect of particular Bonds shall be held and applied exclusively to the payment of such particular principal, interest or premium.

## ARTICLE VII

### INVESTMENT OF FUNDS

#### SECTION 7.01. Management of Funds and Accounts.

The moneys on deposit in the funds and accounts established hereunder, to the extent not currently required, shall be invested and secured as required by Section 9 of the Act, all at the direction and under the management of the Director of Finance.

#### SECTION 7.02. Investment of Funds and Accounts.

All moneys deposited in any fund or account established hereunder or under any Supplemental Ordinance may be invested by the Fiscal Agent, at the oral or written direction of the Director of Finance, in any investments then permitted by law; provided that any investments with respect to amounts on deposit in the funds and accounts established hereunder shall mature or shall be subject to redemption by the holder thereof upon demand at par no later than the date when such amounts are needed for the purposes of such funds or accounts.

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gross income for Federal income tax purposes of interest on the Bonds the interest on which is intended to be so excluded, (2) each such Credit Facility permits the Fiscal Agent to make a draw thereon up to the principal amount thereof if the Sinking Fund Reserve is needed to cover a shortfall in the Sinking Fund and other moneys in the Sinking Fund Reserve are insufficient and (3) each such Credit Facility provides that a draw will be made thereon to replenish the Sinking Fund Reserve on the expiration thereof unless the City has otherwise made such deposit to the Sinking Fund Reserve or has obtained another Credit Facility meeting the requirements of this Section 6.04.

If, at any time and for any reason, the moneys in the Sinking Fund, other than in the Sinking Fund Reserve, shall be insufficient to pay as and when due, the principal of, and premium, if any, and interest on, any Bond or Bonds secured by the Sinking Fund Reserve, the Sinking Fund Depository is hereby authorized and directed to withdraw from the Sinking Fund Reserve and to draw on Credit Facilities held for the Sinking Fund Reserve and pay over to the Fiscal Agent the amount of such deficiency. If by reason of such withdrawal (including draws on any Credit Facilities held to satisfy the Sinking Fund Reserve Requirement) or for any other reason there shall be a deficiency in the Sinking Fund Reserve, the City hereby covenants to restore such deficiency (either by a deposit of funds or the reinstatement of the cash limits of Credit Facilities) within twelve months. The Sinking Fund Reserve shall be valued by the Sinking Fund Depository promptly after any withdrawal from the Sinking Fund Reserve or any other event indicating a possible deficiency in the Sinking Fund Reserve and on August 31 of each Fiscal Year.

**SECTION 6.05. Consolidated Fund.** The Sinking Fund shall be a consolidated fund for the equal and proportionate benefit of the Holders of all Bonds from time to time

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by the City prior to its stated maturity date or the maturity date of which may be extended by and at the option of the Holder thereof.

**Ordinance** means this Ordinance, as from time to time amended.

**Original Value, with respect to a Series of Bonds issued as Capital Appreciation Bonds,** means the principal amount paid by the initial purchasers thereof on the date of original issuance.

**Outstanding, when used with reference to the Bonds,** means, as of any particular date, all Bonds which have been authenticated and delivered under this Ordinance, except:

(a) Bonds canceled after purchase in the open market or because of payment or redemption prior to maturity;

(b) Bonds for the payment or redemption of which sufficient moneys shall have been theretofore deposited with the Fiscal Agent (whether upon or prior to the maturity or redemption date of any such Bonds), provided that, if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as provided in Section 5.02 or arrangements satisfactory to the Fiscal Agent shall have been made therefor, or waiver of such notice satisfactory in form to the Fiscal Agent shall have been filed with the Fiscal Agent; and

(c) Bonds in lieu of which or in substitution for which others have been authenticated and delivered under Section 3.04.

Bonds paid with the proceeds of any Credit Facility shall be

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Outstanding until the issuer of such Credit Facility has been reimbursed for the amount of the payment or has presented the Bonds for cancellation.

**Philadelphia Home Rule Charter** means the Philadelphia Home Rule Charter, as amended or superseded by any new home rule charter, adopted pursuant to authorization of the First Class City Home Rule Act approved April 21, 1949, P.L. 665, sec. 1 et seq. (53 P.S. 13101 et seq.).

**Prior Obligations** means the obligations of the Gas Works to The Philadelphia Municipal Authority existing on the date of adoption of this Ordinance.

**Qualified Escrow Securities** means funds which are represented by (i) demand deposits, interest-bearing time accounts, savings deposits or certificates of deposit, but only to the extent such deposits or accounts are fully insured by the Federal Deposit Insurance Corporation or any successor United States governmental agency, or to the extent not insured, fully secured and collateralized by Government Obligations having a market value (exclusive of accrued interest) at all times at least equal to the principal amount of such deposits or accounts, (ii) if at the time permitted under the Act, obligations of any state or political subdivision thereof or any agency or instrumentality of such state or political subdivision for which cash, Government Obligations or a combination thereof have been irrevocably pledged to or deposited in a segregated escrow account for the payment when due of principal or redemption price of and interest on such obligations, and any such cash or Government Obligations pledged and deposited are payable as to principal or interest in such amounts and on such dates as may be necessary without reinvestment to provide for the payment when due of the principal or redemption price of and interest on such obligations, and such obligations are rated by

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in cash to the Fiscal Agent not later than the due date thereof the full amount of the principal, interest on, and premium, if any, payable upon redemption of, Bonds.

Any excess moneys in the Sinking Fund, including any excess amount in the Sinking Fund Reserve, shall be transferred to the operating accounts of the Gas Works.

**SECTION 6.04. Sinking Fund Reserve.** There is hereby established a Sinking Fund Reserve which shall be held by the Sinking Fund Depository as part of the Sinking Fund but for which a separate account shall be maintained. Unless otherwise provided in the applicable Supplemental Ordinance in compliance with this Section 6.04, the City shall, under direction of the Director of Finance, deposit in the Sinking Fund Reserve from the proceeds of sale of each Series of Bonds issued hereunder and/or Gas Works Revenues an amount which, together with other amounts in the Sinking Fund Reserve, will cause the amount in the Sinking Fund Reserve to equal the Sinking Fund Reserve Requirement. The money and investments (valued at market) in the Sinking Fund Reserve and amounts which can be drawn under Credit Facilities held for the Sinking Fund Reserve shall be held and maintained in an amount equal to the Sinking Fund Reserve Requirement.

In lieu of a deposit to the Sinking Fund Reserve or in substitution for amounts in the Sinking Fund Reserve, the City may provide one or more letters of credit or other Credit Facilities in the same aggregate amount issued by a provider or providers whose credit facilities are such that bonds secured by such credit facilities are rated in one of the three highest rating categories by Moody's or S&P, provided that (1) in the case of a substitution for moneys in the Sinking Fund Reserve, an opinion of Bond Counsel is delivered to the Fiscal Agent that such substitution will not adversely affect the exclusion from

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use of moneys therein. Without limiting the generality of the preceding sentence, moneys deposited in the Sinking Fund to pay the redemption price of particular Bonds shall be held in separate accounts and applied only for such redemption.

**SECTION 6.02. Fiscal Agent.** Such state or federally chartered bank, bank and trust company or trust company as may from time to time be appointed by the City in accordance with law, shall act as Fiscal Agent in respect of all Bonds issued under this Ordinance or in respect of any particular Series of Bonds. The Fiscal Agent shall also act as Sinking Fund Depository of the Sinking Fund and as paying agent and registrar of the Bonds in respect of which it is the Fiscal Agent, unless others are appointed in such capacities by the City. Nothing in this Ordinance shall be construed to prevent the City from engaging other or additional Fiscal Agents from time to time or from engaging other or additional Sinking Fund Depositories, paying agents or registrars of the Bonds or any Series thereof.

Subject to the foregoing, the proper officers of the City are authorized to enter into contracts or to confirm existing agreements governing the maintenance of accounts and records, the disposal of canceled Bonds, the rights, duties, privileges and immunities of the Fiscal Agent, and such other matters as are authorized by the Act and as are customary and appropriate and to confirm the agreement of the Fiscal Agent, in its several capacities, to comply with the provisions of the Act and of this Ordinance.

**SECTION 6.03. Payments From the Sinking Fund.** The Sinking Fund Depository shall, on direction of the Director of Finance, or if for any reason he should fail to give such direction, on the direction of the Fiscal Agent, liquidate investments, if necessary, and pay over from the Sinking Fund

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any Rating Agency in the highest rating category assigned by such Rating Agency to obligations of the same type, or (iii) noncallable Government Obligations. In each case such funds (i) are subject to withdrawal, mature or are payable at the option of the holder at or prior to the dates needed for disbursement, provided such deposits or accounts, whether deposited by the City or by such depository, are insured or secured as public deposits with securities having at all times a market value exclusive of accrued interest equal to the principal amount thereof, (ii) are irrevocably pledged for the payment of such obligations and (iii) are sufficient, together with the interest to the disbursement date payable with respect thereto, if also pledged, to meet such obligations in full.

**Qualified Swap or Swap Agreement** means, with respect to a Series of Bonds or any portion thereof, any financial arrangement that (i) is entered into by the City with an entity that is a Qualified Swap Provider at the time the arrangement is entered into; (ii) provides that (a) the City shall pay to such entity an amount based on the interest accruing at a fixed rate on an amount equal to the principal amount of the Outstanding Bonds of such Series or portion thereof, and that such entity shall pay to the City an amount based on the interest accruing on a principal amount initially equal to the same principal amount of such Bonds, at either a variable rate of interest or a fixed rate of interest computed according to a formula set forth in such arrangement (which need not be the same as the actual rate of interest borne by the Bonds) or that one shall pay to the other any net amount due under such arrangement or (b) the City shall pay to such entity an amount based on the interest accruing on the principal amount of the Outstanding Bonds of such Series or portion thereof at a variable rate of interest as set forth in the arrangement and that such entity shall pay to the City an amount based on interest accruing on a principal amount equal to the same principal amount of such Bonds at a

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variable rate of interest or a fixed rate of interest computed according to a formula set forth in such arrangement (which need not be the same as the actual rate of interest borne by the Bonds) or that one shall pay to the other any net amount due under such arrangement; and (iii) which has been designated in writing to the Fiscal Agent by the City as a Qualified Swap with respect to such Bonds.

**Qualified Swap Provider** means, with respect to a Series of Bonds, an entity whose senior long term debt obligations, other senior unsecured long term obligations or claims paying ability, or whose payment obligations under a Qualified Swap are guaranteed by an entity whose senior long term debt obligations, other senior unsecured long term obligations or claims paying ability, are rated (at the time the subject Qualified Swap is entered into) at least as high as Aa by Moody's and AA by S&P, or the equivalent thereof by any successor thereto.

**Rate Covenant** means the rate covenant contained in subsection (b) of Section 4.03.

**Rating Agency** means Moody's, S&P or Fitch, to the extent that any of such rating services have issued a credit rating on any of the Outstanding Bonds or, upon discontinuance of any of such rating services, such other nationally recognized rating service or services if any such rating service has issued a credit rating on any of the Outstanding Bonds.

**Rebate Amount** means the amount with respect to a Series of Bonds which is required to be paid to the United States of America, as of any computation date, in compliance with the restrictions imposed by Section 148(f) of the Code.

**S & P** means Standard & Poor's Ratings Services, a corporation organized and existing under the laws of the State

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same Series and maturity as the unredeemed portion of the Bond or Bonds so presented.

## ARTICLE VI

### SINKING FUND

**SECTION 6.01. Establishment and Investment of Sinking Fund.** There is hereby established a sinking fund to be known as the City of Philadelphia 1998 Ordinance Gas Works Revenue Bond Sinking Fund (referred to in this Ordinance as the "Sinking Fund") for the benefit and security of the Holders of all Bonds. The Sinking Fund shall be held in the name of the City in an account or accounts separate and apart from all other accounts of the City and payments therefrom shall be made only as hereinafter in this Ordinance provided.

The City covenants and the Director of Finance is directed to deposit in, and there is hereby appropriated to, the Sinking Fund from the Gas Works Revenues in each Fiscal Year such amounts as will, together with interest and profits earned and to be earned on investments held therein, be sufficient to accumulate therein (exclusive of the amount in the Sinking Fund Reserve), on or before each interest and principal payment date of the Bonds, the amounts required to pay the principal of and the interest on the Bonds then becoming due and payable. Payment into the Sinking Fund shall be scheduled at such times and in such amounts in relation to the receipt of revenues and the operation and maintenance requirements of the Gas Works as the Director of Finance shall determine.

The Fiscal Agent shall establish such accounts in the Sinking Fund as it deems appropriate to identify the source or

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Fiscal Agent shall mail a similar notice to The Bond Buyer and each Rating Agency then maintaining a rating on such Bonds, but failure to mail any such notice referred to in this paragraph or any defect in such mailed notice or in the mailing thereof shall not affect the validity of the redemption notice.

Not more than sixty (60) days following the applicable redemption date, a further notice shall be mailed as provided above to the Bondholders of any Bonds called for redemption and not then presented for payment containing substantially the same information set forth above.

**SECTION 5.03. Effect of Redemption; Payment.** Notice having been given in the manner hereinbefore provided in this Article V or irrevocable instructions to give such notice having been delivered to the Fiscal Agent to pay said Bonds or portions thereof, and funds complying with the provisions of subparagraph (1) of Section 10 of the Act having been deposited in trust with the Fiscal Agent or having been set aside with the Sinking Fund Depository in a special account in the Sinking Fund, on or prior to the date fixed for redemption, the Bonds or portions thereof so called for redemption, shall become due and payable on the redemption date so designated, and interest on such Bonds or portions thereof shall cease from such redemption date, whether such Bonds be presented for redemption or not. The principal amount of all Bonds or portions thereof so called for redemption, together with the premium, if any, and accrued interest thereon, shall be paid by the Fiscal Agent, upon presentation and surrender thereof.

**SECTION 5.04. Partial Redemption.** Upon presentation of any Bond which is to be redeemed in part only, the City and the Fiscal Agent shall execute and deliver to the Holder thereof, at the expense of the City, a new Bond or Bonds of authorized denominations in aggregate principal amount equal to and of the

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of New York, its successors and assigns, and if such corporation shall for any reason no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the City. Whenever rating categories of S&P are specified in this Ordinance, such categories shall be irrespective of gradations within a category.

**Senior Bonds** means Bonds which shall be first in right of payment and as to which the coverage requirement under the Rate Covenant shall be 150%.

**Series**, when applied to Bonds, means collectively all of the Bonds of a given issue authorized by Supplemental Ordinance as provided in Article IV hereof and may also mean, if appropriate, a subseries of any such issue if, for any reason, the City should determine to divide any such issue into one or more subseries of Bonds.

**Sinking Fund** means the 1998 Ordinance Gas Works Revenue Bond Sinking Fund established by Section 6.01.

**Sinking Fund Depository** means the Fiscal Agent or any other bank, bank and trust company or trust company appointed as such by the City.

**Sinking Fund Reserve** means the Sinking Fund Reserve established by Section 6.04.

**Sinking Fund Reserve Requirement** means, with respect to all Bonds secured by the Sinking Fund Reserve, an amount equal to the greatest amount of Debt Service Requirements payable in any Fiscal Year (except that such Debt Service Requirements will be computed as if any Qualified Swap did not exist and the Debt Service Requirements attributable to any

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Variable Rate Bonds may be based upon the fixed rate of interest as set forth in the Supplemental Ordinance for such Bonds), determined as of any particular date.

**Subordinate Bonds** means those Bonds which shall be subordinate in right of payment to Senior Bonds and as to which the coverage requirement under the Rate Covenant shall be 100%.

**Supplemental Ordinance** means an ordinance supplemental hereto enacted pursuant to the Act and this Ordinance by the Council of the City authorizing the issuance of a Series of Bonds.

**Uncertificated Bond** means any Bond which is fully registered as a to principal and interest and which is not represented by an instrument.

**Unrelated Expenses** means expenses unrelated to the supply, manufacture, storage and distribution of gas or assets related thereto.

**Variable Rate Bond** means any Bond, the rate of interest on which is subject to change prior to maturity and cannot be determined in advance of such change.

**SECTION 2.02. Interpretation.** All references in this Ordinance to articles, sections and other sub-divisions are to the designated articles, sections or other sub-divisions of this Ordinance as from time to time amended. The words "herein," "hereof," "hereby" and "hereunder" and other words of similar import refer to this Ordinance as a whole and not to any particular article, section or other subdivision.

**SECTION 2.03. Descriptive Headings.** The descriptive

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Office of the Fiscal Agent, and that from and after such date, interest thereon shall cease to accrue; provided, however, that the Holders of any Bonds being redeemed may file written waivers of notice with the Fiscal Agent, and if so waived, such Bonds may be redeemed and all rights and liabilities of said Holders shall mature and accrue on the date set for such redemption without the requirement of written notice. If a notice is given with respect to an optional redemption prior to moneys for such redemption being deposited with the Fiscal Agent, such notice shall be conditioned upon the deposit of moneys with the Fiscal Agent on or before the date fixed for redemption and such notice shall be of no effect unless such moneys are so deposited.

The notices required to be given by this Section .5.02 shall state that no representation is made as to correctness or accuracy of the CUSIP numbers listed in such notice or stated on the Bonds.

The notice to Bondholders shall be deposited by the Fiscal Agent in the United States mail, first-class postage prepaid, at least thirty (30) days, but not more than sixty (60) days, unless otherwise provided with respect to any Series of Bonds in the Supplemental Ordinance authorizing such Series of Bonds, prior to the redemption date, addressed to the Holders of Bonds called for redemption at the addresses appearing in the Bond Register. Any notice of redemption mailed in accordance with the requirements set forth herein shall be conclusively presumed to have been duly given, whether or not such notice is actually received by the Bondholders. No defect in the notice with respect to any Bond (whether in the form of notice or the mailing thereof) shall affect the validity of the redemption proceedings for any other Bonds.

" When notice of redemption is mailed to Bondholders, the

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specified in the Bonds or the pertinent Supplemental Ordinance, Bonds subject to optional redemption may be redeemed in such order of maturity as specified by the Director of Finance and within a maturity by lot. Whenever Bonds to be redeemed are required to be selected by lot, the Fiscal Agent shall be authorized to draw by lot the numbers of the Bonds to be redeemed in any manner deemed reasonable by the Fiscal Agent. In the case of a Bond of a denomination greater than the minimum authorized denomination, the Fiscal Agent shall treat such Bond as representing such number of separate Bonds as is obtained by dividing the actual principal amount of such Bond by the minimum authorized denomination.

**SECTION 5.02. Notice of Redemption.** Unless otherwise provided by Supplemental Ordinance, when the City shall determine to redeem Bonds, upon prior written notice to the Fiscal Agent of the redemption date and the principal amount of Bonds to be redeemed, or whenever the Fiscal Agent shall be required to redeem Bonds from moneys in the Sinking Fund without action on the part of the City, the Fiscal Agent, at the City's expense, shall cause a notice of redemption to be mailed to the Holders of the Bonds being redeemed. Such notice shall specify (i) the complete official name of the Series of Bonds being redeemed; (ii) if less than all then Outstanding Bonds of a Series are to be redeemed, the numbers, including CUSIP numbers if applicable, of the Bonds to be redeemed, which may, if appropriate, be expressed in designated blocks of numbers, (iii) the date of issue of each Bond being redeemed as originally issued, (iv) the rate of interest borne by each Bond being redeemed, (v) the maturity date of each Bond being redeemed and (vi) any other descriptive information considered appropriate by the City to accurately identify the Bonds being redeemed. Such notice shall also state the redemption price and the date fixed for redemption, that on such date the Bonds called for redemption will be due and become payable at the

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headings of the several articles and sections of this Ordinance are inserted for convenience only and shall not control or affect the meaning or construction of any of its provisions.

**SECTION 2.04. Severability.** In case any one or more of the provisions contained in this Ordinance or in any Bond issued pursuant hereto shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this Ordinance or of said Bonds, and this Ordinance or said Bonds shall be construed and enforced as if such invalid, illegal or unenforceable provisions had never been contained therein.

## ARTICLE III

### CONCERNING THE BONDS

**SECTION 3.01. Forms Generally.** All Bonds shall be in substantially the form set forth in this Article III, with such appropriate insertions, omissions, substitutions and other variations, including, without limitation, provisions for optional and mandatory redemption, variable interest rates, capital appreciation, book entry and coupon form, as are required or permitted by this Ordinance or any Supplemental Ordinance, and may be designated as of such Series by date, number, letter or otherwise and may also have such individual letters, identifying numbers or other marks, legends or endorsements placed thereon, as may, consistently with this Ordinance and the Act, be determined by a Supplemental Ordinance or by the Director of Finance. The Supplemental Ordinance or the Director of Finance shall also determine whether or not a Series of Bonds is to be issued in a manner whereby interest thereon

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will be excluded from gross income for Federal income tax purposes and whether or not a Series of Bonds is to be secured by the Sinking Fund Reserve. The Bonds may also have printed thereon or on the reverse thereof the text of an approving legal opinion with respect thereto and an appropriate certificate as to its correspondence with an executed counterpart may be included on the face or on the reverse of the Bonds. A statement of bond insurance applicable to any Bonds may also be printed on such Bonds. Any portion of the text of any Bond may be set forth on the reverse thereof with an appropriate reference on the face of the Bond.

SECTION 3.02. Form of Fully Registered Bond. Bonds shall be substantially in the following form, subject to modification as provided in Section 3.01:

(Form of Fully Registered Bond)

No. R-

\$

UNITED STATES OF AMERICA

COMMONWEALTH OF PENNSYLVANIA

CITY OF PHILADELPHIA GAS WORKS REVENUE  
BOND

(1998 General Ordinance) Series of

Interest	Maturity	Dated	
Rate	Date	Date	CUSIP

REGISTERED OWNER:

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issuance of revenue refunding bonds pursuant to Section 10 of the Act, in the absence of specific direction or inconsistent authorization contained in the Supplemental Ordinance, the Director of Finance is hereby authorized in the name and on behalf of the City to take all such action, including the irrevocable pledge of proceeds and the income and profit from the investment thereof for the payment and redemption of the funded or refunded bonds or notes and, if a Qualified Swap or Exchange Agreement has been provided with respect to Bonds to be refunded, provision for the payment of all amounts due and payable by the City to the provider of such Qualified Swap or Exchange Agreement upon the refunding of such Bonds and the mailing of all required redemption notices or the giving of irrevocable instructions therefor, as may be necessary or appropriate to accomplish the funding or refunding and to comply with the requirements of Section 10 of the Act.

## ARTICLE V

### REDEMPTION OF BONDS

SECTION 5.01. General Provisions for Redemption. Bonds issued hereunder shall be subject to redemption at such times, in such order, at such redemption prices, upon such notice, unless waived, and upon such terms and conditions as may be expressed in the particular Bonds, or, as the case may be, in the pertinent Supplemental Ordinance. Notwithstanding or in limitation of the foregoing, a Supplemental Ordinance for a Series of Bonds may contain provisions for optional redemption of such Series of Bonds which may be retained by the City as a call option or may be held by the City or sold simultaneously with such Series of Bonds or at future dates as determined by such Supplemental Ordinance. Unless otherwise

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Bonds so authorized, to receipt for the purchase price thereof and to execute and deliver on behalf of the City the usual closing statements, affidavits and certificates.

The Director of Finance, the City Solicitor, the City Controller and such other officers of the City as may be appropriate are authorized, in connection with the issuance of any Series of Bonds hereunder, to prepare, execute and file on behalf of the City such statements, documents or other material as may accurately and properly reflect the financial condition of the City or other matters relevant to the issuance or payment of such Bonds and as may be required or appropriate to comply with applicable state or federal laws or regulations.

Unless otherwise provided in the Supplemental Ordinance, the proceeds of sale of all Bonds issued hereunder shall be deposited in the consolidated cash account of the City to the credit of the capital improvement funds and shall be disbursed therefrom, in accordance with established procedures, for the costs of the project or projects (as such term is defined in the Act) for which the Bonds were issued; provided, however, that, if such Bonds shall be issued for the purpose of funding or refunding bonds or notes previously issued by the City, such proceeds shall, unless otherwise directed by the Supplemental Ordinance, be deposited in a special account in the Sinking Fund and deposited, invested (if appropriate) and disbursed under the direction of the Director of Finance for the purpose of retiring the bonds or notes being funded or refunded, and provided further that proceeds of the sale of any Series of Bonds representing capitalized interest on such Series of Bonds shall be deposited in a separate account in the Sinking Fund and applied, together with any profit from investment thereof, only to pay interest on such Series of Bonds.

If the City shall, by Supplemental Ordinance, authorize the

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PRINCIPAL AMOUNT:

DOLLARS

The City of Philadelphia, Pennsylvania (the "City"), for value received, hereby promises to pay, but only out of Pledged Amounts (as hereinafter defined), to the Registered Owner identified above or registered assigns (the "Holder"), on the Maturity Date identified above, upon the presentation and surrender hereof, the Principal Amount identified above and to pay (but only out of the Pledged Amounts) interest on said Principal Amount at the annual rate specified above, from the most recent Interest Payment Date (as hereinafter defined) to which interest has been paid or duly provided for, or, if no interest has been paid, from \_\_\_\_\_, on \_\_\_\_\_ and \_\_\_\_\_ in each year (each an "Interest Payment Date"), commencing \_\_\_\_\_, until payment of the principal sum shall have been made or provided for.

The principal of this Bond, upon maturity or redemption, is payable at the Principal Office of \_\_\_\_\_, or its successor, as Fiscal Agent (the "Fiscal Agent"). Interest on this Bond will be paid by the Fiscal Agent on each Interest Payment Date by check or draft mailed to the person in whose name this Bond is registered on the registration books of the City (the "Bond Register") maintained by the Fiscal Agent and at the address appearing thereon on the [last] [fifteenth] day of the month preceding such Interest Payment Date (the "Record Date") or in lieu thereof, if so requested in a written notice provided to the Fiscal Agent not less than ten (10) days prior to the relevant Interest Payment Date by a Bondholder of \$1,000,000 or more in aggregate principal amount of Bonds, by wire transfer to an account in a bank located in the United States designated by such Bondholder. Any such interest not so timely paid or duly provided for shall cease to be payable to the person who is the registered owner hereof as of the Record Date and shall be