

1 customers of the availability of Low Income Heating Assistance Programs,  
2 collection activities related to customer bill payment, PGW's Parts and  
3 Labor Repair Plans and customer appliance safety and corporate  
4 customer informational and educational advertising. The major portion of  
5 the added spending reflects advertising costs in the 2006-2007 Period  
6 related to customer conservation activities. In addition, advertising is  
7 associated with Regulatory activities related to rate and tariff changes,  
8 meeting notices and hearings.

9 **Q. What are the main components of the General Material costs included on**  
10 **Exhibit C-4, Line 3 for the 2006-2007 Budget Year and the 2005-2006 fiscal**  
11 **period?**

12 A. In the 2006-2007 Budget Year, the three major operating departments are  
13 anticipated to utilize \$7.0 million in material in their operations (pipe,  
14 valves, appliance and replacement parts, etc.) approximately \$.2 million  
15 or 2.3% more than in the current period. PGW remains committed to an  
16 overall cost containment initiative to lower the overall departmental  
17 material utilization.

18 **Q. What type of Insurance Premiums are included in the Insurance costs**  
19 **reported on Exhibit C-4, Line 4, and what is the reason for the \$.3 million or**  
20 **nearly 10% increase projected in the 2006-2007 Budget Year?**

21 A. Insurance expense includes premiums for property, public liability, and  
22 workers' compensation coverage. Public liability coverage for the 2005-  
23 2006 and 2006-2007 fiscal years is expected to be maintained at the  
24 current \$200.0 million level with a self-retention level of \$500,000 per  
25 occurrence. The renewal premiums for public liability insurance are  
26 anticipated to rise by nearly \$.3 million or 14% to \$2.7 million in the 2006-  
27 2007 Budget Year up from the \$2.4 million level experienced in the 2005-  
28 2006 fiscal period. In the 2004-2005 through 2006-2007 fiscal years, the cost  
29 of providing insurance coverage is reflected as follows:

Insurance Expense  
(Dollars in Thousands)

	<u>Actual</u>	<u>Estimate</u>	<u>Budget</u>
	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>
Property Insurance	\$827	\$1,067	\$1,067
Public Liability & Workers' Comp.	2,608	2,351	2,690
Miscellaneous	<u>50</u>	<u>60</u>	<u>70</u>
<b>TOTAL</b>	<b><u>\$3,485</u></b>	<b><u>\$3,478</u></b>	<b><u>\$3,827</u></b>

Other labor related insurance expenditures for employee health and group life insurance were previously referenced as a component of the labor and fringe benefit expenses.

**Q. What expenses are included in Contracted Maintenance on Exhibit C-4, Line 5?**

A. Contracted maintenance represents the cost of work performed by outside personnel, who are retained for their specialized experience in particular tasks. Software maintenance and/or licensing fees are also included in this category. This contracted work includes paving, painting, inspections and charges for maintenance of such items as gas engines, piping insulation, instrument repairs, tools, automobiles, elevators, air conditioning equipment, alarms, fire protection equipment, office and computer equipment and computer software maintenance, etc.

**Q. Costs associated with Contracted Maintenance on Exhibit C-4, Line 5, are projected to rise by nearly \$.4 million or 6% in the 2006-2007 Budget Year. Please explain the reason for the increased expense.**

A. The primary reason for the additional contracted maintenance costs reflects added regulatory requirements for transmission line inspections and higher costs for adjusting existing PGW infrastructure facilities associated street repaving activities. Also, maintenance of PGW software applications is anticipated to increase by \$.1 million. PGW expects

1 contracted maintenance expenses overall to total \$5.6 and \$6.0 million in  
2 the 2005-2006 and 2006-2007 fiscal periods, respectively.

3 **Q. What services are included within the category of Utilities on Exhibit C-4,  
4 Line 6?**

5 A. Utilities include the cost of electric, telephone and water service. In the  
6 2004-2005 through 2006-2007 fiscal years, the actual or projected costs for  
7 these services are:

8 **Utility Expense**  
9 **(Dollars in Thousands)**

	<u>Actual</u>	<u>Estimate</u>	<u>Budget</u>
	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>
12 Electric	\$2,052	\$2,108	\$2,093
13 Telephone	1,306	1,177	1,127
14 Water	<u>443</u>	<u>384</u>	<u>396</u>
15 <b>TOTAL</b>	<b><u>\$3.801</u></b>	<b><u>\$3.669</u></b>	<b><u>\$3.616</u></b>

16 The 1% decline in utility expenditures projected for the 2006-2007 Budget  
17 Year mainly reflects lower costs for purchased telephone services  
18 reflecting a scaling back of overall Company usage. Electric costs were  
19 relatively unchanged in a year to year comparison. The utility expenses  
20 included above exclude the cost of gas used by the company. This gas  
21 expense, in accordance with the prescribed FERC accounting  
22 methodology, is included in Natural Gas expense on Exhibit A-1, Line 11.

23 **Q. What costs are included in Rental expenses, as presented on Exhibit C-4,  
24 line 7?**

25 A. Rental expenses include the rental and leasing of such items as computer  
26 related and telephone equipment, hand held microprocessors,  
27 transportation and construction equipment and PGW's customer service  
28 centers. This expense category in the 2006-2007 Budget Year is expected  
29 to remain relatively constant at \$.8 million.

1 **Q. Please detail the type of expenses included within the category**  
2 **Purchased Services on Exhibit C-4, Line 8.**

3 A. This expense category primarily includes professional and technical  
4 services such as: legal, engineering, auditing, consulting and computer  
5 related services, as well as, certain specialized services, e.g., advertising,  
6 production, collection agencies, armored car services, weather  
7 forecasting, banking and financial services and home weatherization  
8 services, etc., which are not normally available within the company's  
9 internal organization. The 2006-2007 Budget Year anticipates that  
10 purchased service costs will total \$23.7 million, an increase of \$2.8 million  
11 or 13.7% above the 2005-2006 Estimate of \$20.9 million. The major  
12 increases in the 2006-2007 Budget Year result from \$1.0 million to provide  
13 funding for possible outsourced company operations. In addition, higher  
14 costs for security services, internal audit services and costs for a possible  
15 base rate filing further contributed to the added expenses. These  
16 increases were offset by decreased expenditures related to customer bill  
17 payment credit card fees and non recurring costs attributable to the LNG  
18 project and the proposed Exelon utility merger. The 2006-2007 Budget  
19 anticipates that weatherization and conservation expenditures will total  
20 \$2.2 million, approximating the 2005-2006 Estimate. These costs are part of  
21 the non-fuel charges that are currently recoverable through the Universal  
22 Service Charge.

23 **Q. Does the Postage Expense on Exhibit C-4, Line 9, include the cost of**  
24 **mailing all of the gas bills and notices being sent to customers?**

25 A. Yes. PGW mails all of its monthly customer gas bills. In addition, this  
26 expense includes the cost for the mailing of collection notices, parts and  
27 labor plan contracts and general business correspondence. The 2006-  
28 2007 Budget Year total of \$2.6 million is \$.2 million greater than the \$2.4  
29 million expected to be incurred in the current fiscal period.

1 **Q. Please describe the items included in the category Promotion on Exhibit**  
2 **C-4, Line 10.**

3 A. The promotional expenses are associated with the Marketing  
4 department's initiatives to expand the use of natural gas in all market  
5 segments. The Marketing department included \$.5 million for customer  
6 incentives in the 2006-2007 Budget Year, no promotional expenditures are  
7 anticipated in the 2005-2006 fiscal period.

8 **Q. What are the components of Non-Utility Revenues presented on Exhibit C-**  
9 **4, Line 11?**

10 A. This category formerly included repair and other service revenues, which  
11 are now reported as part of other operating revenues. The components  
12 of these revenues are associated with the 1% commission paid by the  
13 Commonwealth of Pennsylvania for sales tax collection and  
14 reimbursement for non-business related phone calls.

15 **On Exhibit C-4, Line 12, what expenses are charged to capital and what is**  
16 **the basis for the allocated charges to capital and corresponding credits to**  
17 **Operations?**

18 A. Certain labor-related fringe benefit expenses, such as employee group life  
19 and health insurance, pensions and payroll taxes are charged initially to  
20 PGW's operating accounts on the Statement of Income, Exhibit A-1. In  
21 order to assign a proportional share of these costs to capital projects that  
22 utilize PGW personnel, a percentage of the total cost of the labor and  
23 fringe benefit expenses to the total direct payroll is calculated. On the  
24 basis of this calculation, these expenses are allocated to capital projects  
25 and operating expenses are reduced on the basis of the direct labor  
26 charges to capital. Also, administrative costs are allocated to capital  
27 based on the percentage of administrative and general expenses to total  
28 expenditures, excluding fuel costs. Capital projects are charged and  
29 operating expenses lowered on the basis of the total charges on a

1 monthly basis to capital projects. The 2006-2007 Budget Year anticipates  
2 an allocation of \$19.2 million in labor related fringe benefits and  
3 administrative and general costs to capital projects, an increase of \$2.5  
4 million from the 2005-2006 fiscal period level of \$16.7 million reflecting a  
5 higher capitalization factor for labor related costs and the additional  
6 capital spending in the upcoming 2006-2007 Budget Year.

7 **Q. How are Depreciation rates determined and how do they relate to the**  
8 **expense listed in Exhibit C-4, Line 13?**

9 A. PGW currently depreciates plant-in-service based on a 2004 depreciation  
10 study performed by the firm of Black & Veatch. The 2006-2007 Budget  
11 Year projects the utilization of a 2.4% composite depreciation rate and  
12 when applied to the projected plant-in-service balances, mainly  
13 accounts for the \$1.3 million rise in depreciation expense.

14 **Q. Miscellaneous expenses included on Exhibit C-4, Line 15, are forecasted**  
15 **to decrease by \$6.2 million in the 2006-2007 Budget Year. Please explain**  
16 **the reasons for the lower costs and the main components of this**  
17 **category?**

18 A. Miscellaneous expenses are forecasted to decline in the 2006-2007  
19 Budget Year primarily due to the previously mentioned corporate goal of  
20 \$5.0 million or 2% in across the board cost reductions and the final year of  
21 the amortization of restructuring costs during the 2005-2006 period. These  
22 decreases were offset somewhat by additional costs reflecting employee  
23 training programs and an expansion of PGW's employee tuition refund  
24 program during the 2006-2007 Budget Year. A detail of the components  
25 of the miscellaneous expense category is listed below:  
26  
27  
28  
29

1 Miscellaneous Expenses

2 (Dollars in Thousands)

3

	<u>Actual</u>	<u>Estimate</u>	<u>Budget</u>
	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>
4			
5 Expense of Employees	\$453	\$840	\$954
6 Dues & Subscriptions	2,881	3,294	3,676
7 Taxes	24	24	28
8 PFMC Management Fee	325	371	372
9 Amortization Restructuring Costs	1,087	1,087	-
10 Cost Savings	-	-	(5,000)
11 Amortization Non-Recurring Expense	432	439	327
12 Deferred Compensation	334	343	355
13 (Additions)/Reductions LNG Inventory	<u>(290)</u>	<u>(1,083)</u>	<u>(1,568)</u>
14 <b>TOTAL</b>	<b><u>\$5,246</u></b>	<b><u>\$5,315</u></b>	<b><u>\$(856)</u></b>

15 Q. Does this conclude your testimony in this proceeding?

16 A. Yes, it does. Thank you.

17

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# 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

VINCENT J. JANNETTI  
Acting Secretary of Financial  
Oversight and  
Director of Finance

May 17, 2006

The Honorable Marian B. Tasco  
Chairwoman  
PHILADELPHIA GAS COMMISSION  
One Parkway Building  
1515 Arch Street  
Philadelphia, PA 19102

Dear Chairwoman Tasco:

Please be informed that pursuant to Section IV - 2 (a) of the Agreement between the City of Philadelphia and the Philadelphia Facilities Management Corporation ("Management Agreement"), I have reviewed the Fiscal Year 2007 Philadelphia Gas Works Operating Budget, and have determined that same is consistent with the accounting methods prescribed in Section IV - 1 of the Management Agreement and is otherwise in form and extent satisfactory to me.

Please feel free to contact this office should you require any assistance.

Sincerely,

A handwritten signature in black ink, appearing to read "Vincent J. Jannetti".

Vincent J. Jannetti  
Acting Secretary of Financial Oversight &  
Director of Finance

## RESOLUTION

### **FOR AUTHORIZATION TO SUBMIT THE PGW FISCAL YEAR 2007 OPERATING BUDGET TO THE PHILADELPHIA GAS COMMISSION FOR REVIEW AND APPROVAL**

I, **ABBY L. POZEFSKY**, Assistant Secretary of **PHILADELPHIA FACILITIES MANAGEMENT CORPORATION**, do hereby certify that the following is a true and correct copy of action taken by the Board of Directors of said corporation by unanimous consent to the adoption of this resolution dated May 22, 2006, pursuant to provisions of Section 5727(b) of the Non-Profit Corporation Law of the Commonwealth of Pennsylvania.

### **RESOLUTION FOR AUTHORIZATION TO SUBMIT THE PGW FISCAL YEAR 2007 OPERATING BUDGET TO THE PHILADELPHIA GAS COMMISSION FOR REVIEW AND APPROVAL**

**WHEREAS**, according to the Agreement between the City of Philadelphia and the Philadelphia Facilities Management Corporation ("PFMC") for the management and operation of the Philadelphia Gas Works ("PGW") dated December 29, 1972, as amended (the "Management Agreement"), §IV.2(a), PGW's operating budget is subject to the approval of the Philadelphia Gas Commission;

**WHEREAS**, according to the Management Agreement §IV.2(a), PGW's operating budget must be prepared with the aid of the Director of Finance and be consistent with the accounting methods described in the Management Agreement §IV.1, in a form and extent that is satisfactory to the Director of Finance and the Philadelphia Gas Commission;

**WHEREAS**, pursuant to that certain resolution passed October 29, 2002, the Board may approve and authorize certain expenditures set forth in the operating budget in excess of Five Hundred Thousand Dollars (\$500,000) annually without the necessity for further resolution, including: (1) certain fixed non-discretionary expenditures; (2) certain payroll and benefits expenditures; and (3) gas supply purchases with contracts of varying terms which are not subject to Gas Commission review and City Council approval but reviewed for prudence as a part of PGW's Gas Cost Rate proceedings before the Public Utilities Commission, subject to the authority to the Chief Executive Officer to make intra-year modification of up to ten percent in each of the preceding three categories;

**WHEREAS**, PGW has prepared its Fiscal Year 2007 Operating Budget and is currently developing the Forecast Fiscal Years 2008

through 2012 through the evaluation of the current needs and outlook of the municipally owned utility;

**WHEREAS**, PFMC has conducted a review of PGW's Fiscal Year 2007 Operating Budget and finds it in satisfactory form and content, and will review the Forecast Fiscal Years 2008 through 2012 when they are fully developed;

**NOW THEREFORE, BE IT RESOLVED**, that PFMC approves PGW's Fiscal Year 2007 Operating Budget, subject to further refinement by PGW management, should that become necessary or desirable; and that PGW is authorized to file with the Philadelphia Gas Commission for its approval and with the Director of Finance for his approval, as to form and content, the PGW Fiscal Year 2007 Operating Budget, in accordance with the Management Agreement §IV.2(a).

**AND FURTHER RESOLVED** that pursuant to that certain resolution passed October 19, 2002 the Board hereby approves and authorizes certain expenditures as set forth in the operating budget in excess of Five Hundred Thousand Dollars (\$500,000) annually without the necessity for further resolution, including: (1) certain fixed non-discretionary expenditures, including but not limited to: state and local taxes; interest and principal payments to bondholders; commercial paper payments; postage; electric; and the annual fixed fee payment to the PUC; (2) certain payroll and benefits expenditures including but not limited to: payments to fund payroll obligations; payroll taxes; payments to the pension sinking fund; retirement benefit payments; health care payments; and life insurance payments; and (3) gas supply purchases with contracts of varying terms which are not subject to Gas Commission review and City Council approval but reviewed for prudence as a part of PGW's Gas Cost Rate proceedings before the Public Utilities Commission; subject to the authority to the Chief Executive Officer to make intra-year modification of up to ten percent in each of the preceding three categories.

**IN WITNESS WHEREOF**, I have hereunto set my hand and have caused the corporate seal of said Corporation to be hereunto affixed this 23rd day of May, 2006.

PHILADELPHIA FACILITIES  
MANAGEMENT CORPORATION

By: \_\_\_\_\_

Abby L. Pozefsky

Philadelphia Gas Works' Base Rate Filing

**II. RATE OF RETURN**

II.A.14. Describe long-term debt reacquisitions by Company and Parent as follows:

II.A.14.a. Reacquisitions by issue by year.

II.A.14.b. Total gain on reacquisitions by issue by year.

II.A.14.c. Accounting of gain for income tax and book purposes.

**RESPONSE: Not applicable**

PGW does not have any long-term debt reacquisitions.

Philadelphia Gas Works' Base Rate Filing

**II. RATE OF RETURN**

II.A.15. Set forth amount of compensating bank balances required under each of the following rate base bases:

II.A.15.a. Annualized test year operations.

II.A.15.b. Operations under proposed rates.

**RESPONSE: Not applicable**

## II. RATE OF RETURN

II.A.16. Provide the following information concerning compensating bank balance requirements for actual test year:

II.A.16.a. Name of each bank.

II.A.16.b. Address of each bank.

II.A.16.c. Types of accounts with each bank (checking, savings, escrow, other services, etc.).

II.A.16.d. Average Daily Balance in each account.

II.A.16.e. Amount and percentage requirements for compensating bank balance at each bank.

II.A.16.f. Average daily compensating bank balance at each bank.

II.A.16.g. Documents from each bank explaining compensating bank balance requirements.

II.A.16.h. Interest earned on each type of account.

**RESPONSE: Not applicable**

Philadelphia Gas Works' Base Rate Filing

**II. RATE OF RETURN**

II.A.17. Provide the following information concerning bank notes payable for actual test year:

II.A.17.a. Line of Credit at each bank.

II.A.17.b. Average daily balances of notes payable to each bank, by name of bank.

II.A.17.c. Interest rate charged on each bank note (Prime rate, formula rate or other).

II.A.17.d. Purpose of each bank note (e.g., construction, fuel storage, working capital, debt retirement).

II.A.17.e. Prospective future need for this type of financing.

**RESPONSE: Not applicable**

Philadelphia Gas Works' Base Rate Filing

**II. RATE OF RETURN**

II.A.18. Set forth amount of total cash (all cash accounts) on hand from balance sheets for last 24-calendar months preceding test year-end.

**RESPONSE:**

**PHILADELPHIA GAS WORKS  
MONTHLY CASH BALANCES**

**SEPTEMBER 2004 THROUGH AUGUST 2006**

		Account 131	Account 131	Account 135	
		Cash	Temp	Working	Total Cash
	Month	\$	Investments	Funds	\$
			\$	\$	
2004	Sep 04	236,750	25,000	53,359	315,109
2004	Oct 04	215,734	25,000	57,542	298,276
2004	Nov 04	515,586	25,000	54,912	595,498
2004	Dec 04	3,610,930	25,000	57,059	3,692,989
2005	Jan 05	5,207,186	(20,000)	48,634	5,235,820
2005	Feb 05	6,834,748	335,000	49,391	7,219,139
2005	Mar 05	29,650,313	54,475,000	56,426	84,181,739
2005	Apr 05	4,642,865	62,400,000	62,550	67,105,415
2005	May 05	2,944,889	25,000	61,614	3,031,503
2005	Jun 05	1,092,998	73,700,000	63,758	74,856,756
2005	Jul 05	778,090	31,100,000	58,642	31,936,732
2005	Aug 05	340,971	14,825,812	53,906	15,220,689
2005	Sep 05	(580,510)	13,325,812	77,609	12,822,911
2005	Oct 05	2,282,880	56,600,812	83,020	58,966,712
2005	Nov 05	2,893,628	28,700,000	83,677	31,677,305
2005	Dec 05	4,740,967	21,500,000	78,628	26,319,595
2006	Jan 06	19,688,586	17,100,000	77,015	36,865,601
2006	Feb 06	4,666,811	44,600,000	76,010	49,342,821
2006	Mar 06	3,530,318	84,700,000	59,689	88,290,007
2006	Apr 06	1,460,288	96,500,000	69,734	98,030,022
2006	May 06	35,927	150,500,000	66,811	150,602,738
2006	Jun 06	297,410	136,920,000	73,322	137,290,731
2006	Jul 06	366,032	103,500,000	69,015	103,935,047
2006	Aug 06*	(1,750,735)	8,400,000	47,568	6,696,833

\* Subject to Audit

## II. RATE OF RETURN

II.A.19. Submit details on Company or Parent common stock offerings (past 5 years to present) as follows:

II.A.19.a. Date of Prospectus

II.A.19.b. Date of offering

II.A.19.c. Record date

II.A.19.d. Offering period—dates and number of days

II.A.19.e. Amount and number of shares of offering

II.A.19.f. Offering ratio (if rights offering)

II.A.19.g. Percent subscribed

II.A.19.h. Offering price

II.A.19.i. Gross proceeds per share

II.A.19.j. Expenses per share

II.A.19.k. Net proceeds per share (i-j)

II.A.19.l. Market price per share

II.A.19.l.1. At record date

II.A.19.l.2. At offering date

II.A.19.l.3. One month after close of offering

II.A.19.m. Average market price during offering

II.A.19.m.1. Price per share

II.A.19.m.2. Rights per share—average value of rights

II.A.19.n. Latest reported earnings per share at time of offering

II.A.19.o. Latest reported dividends at time of offering

**RESPONSE:** Not applicable.

Philadelphia Gas Works' Base Rate Filing

**II. RATE OF RETURN**

II.A.20. Provide latest available balance sheet and income statement for Company, Parent and System (consolidated).

**RESPONSE:**

PGW's financial report for the three months ended November 30, 2006 is attached.



**FINANCIAL REPORT**

**FOR THE THREE MONTHS ENDED NOVEMBER 30, 2006**

**UNAUDITED**

**PGW**  
**BALANCE SHEETS NOVEMBER 30, 2006 AND 2005**  
(Thousands of Dollars)

**ASSETS**

Line No.		2006	2005
	<b>Utility Plant - At Original Cost</b>		
1	In service	\$ 1,555,669	\$ 1,515,463
2	Under construction	<u>77,655</u>	<u>70,610</u>
3	Total	1,633,324	1,586,073
4	Less accumulated depreciation	<u>(622,120)</u>	<u>(600,233)</u>
5	Utility plant - net	1,011,204	985,840
6	Sinking fund - revenue bonds	94,746	101,939
7	Capital improvement funds	39,907	103,271
8	Restricted investment (City of Philadelphia)	-	-
9	Restricted investment Workers' Compensation	1,664	1,592
	<b>Current Assets</b>		
10	Cash and temporary investments	68,484	31,677
	Accounts receivable		
11	Customers	219,186	253,840
12	Others	1,355	979
13	Accrued gas revenues	33,391	47,787
14	Accumulated provisions for uncollectible accounts	<u>(152,867)</u>	<u>(196,951)</u>
15	Accounts receivable - net	101,065	105,655
16	Materials and supplies	182,685	186,890
17	Other current assets and deferred debits	<u>38,626</u>	<u>13,089</u>
18	Total Current Assets	390,860	337,311
19	Unamortized bond issuance cost	41,417	38,360
20	Unamortized loss-reacquired debt	54,456	37,348
21	Other Assets	4,189	5,805
22	Deferred Environmental	<u>4,847</u>	<u>-</u>
23	<b>Total Assets</b>	<u>\$ 1,643,290</u>	<u>\$ 1,611,466</u>

PGW  
BALANCE SHEETS NOVEMBER 30, 2006 AND 2005  
(Thousands of Dollars)

EQUITY AND LIABILITIES

			2006	2005	Line No.
<b>City equity</b>			\$ 243,403	\$ 195,286	1
<b>Long term debt:</b>					
<b>City of Philadelphia bonds</b>					
<u>Issued</u>	<u>Original amount</u>	<u>Current portion</u>			
1989	132,520	-	5,064	5,064	2
1990	50,421	-	-	-	3
1994	183,880	-	14,800	14,800	4
1998	287,185	12,450	118,315	234,315	5
1999	176,280	10,840	55,675	143,655	6
2001	120,225	965	16,715	115,360	7
2002	125,000	1,285	117,205	118,490	8
2003	186,705	10,715	158,585	169,300	9
2004	207,820	1,790	204,635	206,425	10
2006	313,390	-	313,390	-	11
TECA - 11th "C"			12,925	11,689	12
TECA - 12th "A"			-	-	13
Subordinate Lease Obligations 1997	23,000	-	-	-	14
<b>Total Issued</b>		<b>38,045</b>	<b>1,017,309</b>	<b>1,019,098</b>	<b>15</b>
<b>Unamortized debt discount/premium</b>		<b>1,530</b>	<b>13,764</b>	<b>11,685</b>	<b>16</b>
<b>Total Long Term Bond Debt</b>		<b>39,575</b>	<b>1,031,073</b>	<b>1,030,783</b>	<b>17</b>
<b>Notes payable (City of Phila.)</b>			<b>45,000</b>	<b>45,000</b>	<b>18</b>
<b>Total Long Term Debt</b>			<b>1,076,073</b>	<b>1,075,783</b>	<b>19</b>
<b>Current Liabilities</b>					
Notes payable			149,000	99,200	20
Accounts payable			56,741	120,926	21
Current portion of long term debt			39,575	42,342	22
Customers' deposits			9,534	7,180	23
Other current liabilities and deferred credits			17,196	25,547	24
Accrued accounts:					
Interest, taxes and wages			19,465	23,188	25
Distribution to the City			7,500	7,500	26
<b>Total Current Liabilities</b>			<b>299,011</b>	<b>325,883</b>	<b>27</b>
<b>Other Liabilities</b>			<b>24,803</b>	<b>14,514</b>	<b>28</b>
<b>Total Equity and Liabilities</b>			<b>\$ 1,643,290</b>	<b>\$ 1,611,466</b>	<b>29</b>

UNAUDITED  
PGW  
STATEMENT OF INCOME  
MONTH OF NOVEMBER 2006 AND 2005 WITH COMPARISONS  
(Thousands of Dollars)

Line No.	2005 Actual		2006		Increase/(Decrease) Actual 2006 vs Budget	
			Actual	Budget	Amount	%
		<b>Operating revenues</b>				
1	\$ 11,066	Non-heating	\$ 8,582	\$ 10,222	\$ (1,640)	(16)
2	412	Gas transport service	736	630	106	17
3	60,981	Heating	57,174	63,159	(5,985)	(9)
4	957	Appliance & Other Revenues	832	941	(109)	(12)
5	22,993	Unbilled gas adjustment	13,223	24,415	(11,192)	(46)
6	96,409	Total gas revenues	80,547	99,367	(18,820)	(19)
7	906	Other operating revenues	496	1,381	(885)	(64)
8	97,315	Total operating revenues	81,043	100,748	(19,705)	(20)
		<b>Operating expenses</b>				
9	66,683	Natural gas	42,622	60,704	(18,082)	(30)
10	-	Other raw material	-	-	-	-
11	66,683	SUB-TOTAL FUEL	42,622	60,704	(18,082)	(30)
12	30,632	CONTRIBUTION MARGIN	38,421	40,043	(1,622)	(4)
13	932	Gas Processing	1,106	1,465	(359)	(25)
14	3,022	Field Services	3,606	2,798	808	29
15	1,351	Distribution	1,233	1,345	(112)	(8)
16	966	Collection	530	734	(204)	(28)
17	3,917	Appropriation for uncollectible reserve	4,681	4,681	-	-
18	994	Customer Services	1,025	1,230	(205)	(17)
19	832	Account Management	596	597	(1)	-
20	217	Marketing	217	238	(21)	(9)
21	3,411	Administrative & General	2,928	4,266	(1,338)	(31)
22	3,049	Health Insurance	3,177	3,269	(92)	(3)
23	(876)	Capitalized Fringe Benefits	(932)	(837)	(95)	11
24	(452)	Capitalized Admin. Charges	(420)	(591)	171	(29)
25	1,354	Pensions	1,731	1,413	318	23
26	504	Taxes	506	560	(54)	(10)
27	91	Amortization of restructuring costs	-	-	-	-
28	-	Environmental	-	-	-	-
29	-	Cost Savings	-	(456)	456	-
30	19,312	Total operating expenses	19,984	20,712	(728)	(4)
31	11,320	Operating income before depreciation	18,437	19,331	(894)	(5)
32	3,054	Depreciation	3,213	3,451	(238)	(7)
33	(387)	Less depreciation distributed thru clearing accounts	(268)	(268)	-	-
34	2,667	Net depreciation	2,945	3,183	(238)	(7)
35	88,662	Total operating expenses	65,551	84,599	(19,048)	(23)
36	8,653	Operating income	15,492	16,148	(656)	(4)
37	603	Interest and other income	753	561	192	34
38	9,256	Income before interest	16,245	16,709	(464)	(3)
		<b>Interest</b>				
39	4,481	Long term debt	4,088	4,116	(28)	(1)
40	415	Other	1,314	1,524	(210)	(14)
41	(100)	Allowance for funds used during construction	(87)	(89)	2	(2)
42	4,796	Net interest expense	5,315	5,551	(236)	(4)
43	4,460	Net income (loss)	10,930	11,158	(228)	

UNAUDITED  
PGW  
STATEMENT OF INCOME  
THREE MONTHS ENDED NOVEMBER 30, 2006 AND 2005 WITH COMPARISONS  
(Thousands of Dollars)

Line No.	2005 Actual		2006		Increase/(Decrease) Actual 2006 vs Budget	
			Actual	Budget	Amount	%
		<u>Operating revenues</u>				
1	\$ 23,481	Non-heating	\$ 23,340	\$ 22,152	\$ 1,188	5
2	1,120	Gas transport service	2,060	1,647	413	25
3	113,301	Heating	113,149	114,907	(1,758)	(2)
4	2,944	Appliance & Other Revenues	2,993	2,898	95	3
5	39,000	Unbilled gas adjustment	20,819	37,842	(17,023)	(45)
6	179,846	Total gas revenues	162,361	179,446	(17,085)	(10)
7	3,457	Other operating revenues	1,550	3,790	(2,240)	(59)
8	183,303	Total operating revenues	163,911	183,236	(19,325)	(11)
		<u>Operating expenses</u>				
9	122,858	Natural gas	84,573	105,008	(20,435)	(19)
10	-	Other raw material	-	-	-	-
11	122,858	SUB-TOTAL FUEL	84,573	105,008	(20,435)	(19)
12	60,445	CONTRIBUTION MARGIN	79,338	78,228	1,110	1
13	3,270	Gas Processing	2,958	3,607	(649)	(18)
14	7,551	Field Services	8,390	8,032	358	4
15	3,607	Distribution	3,476	3,827	(351)	(9)
16	2,448	Collection	1,918	2,024	(106)	(5)
17	8,188	Appropriation for uncollectible reserve	8,909	8,909	-	-
18	2,829	Customer Services	2,972	3,534	(562)	(16)
19	1,860	Account Management	1,550	1,899	(349)	(18)
20	625	Marketing	594	730	(136)	(19)
21	9,226	Administrative & General	9,419	12,032	(2,613)	(22)
22	8,679	Health Insurance	9,338	9,809	(471)	(5)
23	(2,452)	Capitalized Fringe Benefits	(2,535)	(2,657)	122	(5)
24	(1,130)	Capitalized Admin. Charges	(1,147)	(1,875)	728	(39)
25	3,582	Pensions	4,175	4,214	(39)	(1)
26	1,566	Taxes	1,603	1,582	21	1
27	272	Amortization of restructuring costs	-	-	-	-
28	-	Environmental	-	-	-	-
29	-	Cost Savings	-	(1,219)	1,219	-
30	50,121	Total operating expenses	51,620	54,448	(2,828)	(5)
31	10,324	Operating income before depreciation	27,718	23,780	3,938	17
32	9,243	Depreciation	9,606	10,353	(747)	(7)
33	(1,162)	Less depreciation distributed thru clearing accounts	(804)	(804)	-	-
34	8,081	Net depreciation	8,802	9,549	(747)	(8)
35	181,060	Total operating expenses	144,995	169,005	(24,010)	(14)
36	2,243	Operating income	18,916	14,231	4,685	33
37	1,853	Interest and other income	2,480	1,597	883	55
38	4,096	Income before interest	21,396	15,828	5,568	35
		Interest				
39	13,443	Long term debt	12,267	12,349	(82)	(1)
40	2,698	Other	3,942	4,573	(631)	(14)
41	(291)	Allowance for funds used during construction	(252)	(284)	32	(11)
42	15,850	Net interest expense	15,957	16,638	(681)	(4)
43	(11,754)	Net income (loss)	5,439	(810)	6,249	

Philadelphia Gas Works' Base Rate Filing

**II. RATE OF RETURN**

II.A.21. Provide Original Cost, Trended Original Cost and Fair Value rate base claims.

**RESPONSE:** Not applicable.