

ORIGINAL

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PHILADELPHIA GAS WORKS
DOCKET No. R-00061931

VOLUME IV

Part 2 of 2

FILING REQUIREMENTS

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December 2006

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PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

Philadelphia Gas Works' Base Rate Filing

II. RATE OF RETURN

II.A.22. Provide Operating Income claims under:

II.A.22.(i) Present rates

II.A.22.(ii) Pro forma present rates (annualized & normalized)

II.A.22.(iii) Proposed rates (annualized & normalized)

RESPONSE: See the response to Exh.A – III.A.17.

II.A.22.b. Provide Rate of Return on Original Cost and Fair Value claims under:

II.A.22.b.(i) Present rates

II.A.22.b.(ii) Pro forma present rates

II.A.22.b.(iii) Proposed rates

RESPONSE: Not Applicable.

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Philadelphia Gas Works' Base Rate Filing

II. RATE OF RETURN

II.A.23. List details and sources of "Other Property and Investment," "Temporary Cash Investments" and "Working Funds" on test year-end balance sheet.

RESPONSE:

Major items included in Account 121 – Non-Utility Property and Account 124 – Other Investments for Philadelphia Gas Works at **August 31, 2007** are detailed below:

Account 121 – Non-Utility Property (Total Corporation)

None \$0

Account 124 – Other Investments

None \$0

Philadelphia Gas Works' Base Rate Filing

II. RATE OF RETURN

II.A.24. Attach chart explaining Company's corporate relationship to its affiliates (System Structure).

RESPONSE: PGW has no affiliates.

Philadelphia Gas Works' Base Rate Filing

II. RATE OF RETURN

II.A.25. If the utility plans to make a formal claim for a specific allowable rate of return, provide the following data in statement or exhibit form:

II.A.25.a. Claimed capitalization and capitalization ratios with supporting data.

II.A.25.b. Claimed cost of long-term debt with supporting data.

II.A.25.c. Claimed cost of short-term debt with supporting data.

II.A.25.d. Claimed cost of total debt with supporting data.

II.A.25.e. Claimed cost of preferred stock with supporting data.

II.A.25.f. Claimed cost of common equity with supporting data.

RESPONSE: Not applicable.

Philadelphia Gas Works' Base Rate Filing

II. RATE OF RETURN

II.A.26. Provide the following income tax data:

II.A.26.a. Consolidated income tax adjustments, if applicable.

II.A.26.b. Interest for tax purposes (basis).

RESPONSE: Not applicable.

Philadelphia Gas Works' Base Rate Filing

II. RATE OF RETURN

II.C.1. Provide test year monthly balances for "Current Gas Storage" and notes financing such storage.

RESPONSE:

The following volumes are in dekatherms (Dths).

TEST YEAR

MONTH	LNG	STORAGES
September	3,620,359	18,563,776
October	3,991,522	18,592,519
November	4,324,262	15,978,780
December	4,419,746	12,081,211
January	4,226,680	7,318,168
February	4,066,451	3,402,651
March	4,189,409	844,436
April	4,344,764	2,570,376
May	4,556,890	5,608,645
June	4,556,890	8,569,623
July	4,481,188	11,451,360
August	4,405,486	14,296,338

Philadelphia Gas Works' Base Rate Filing

III. BALANCE SHEET AND OPERATING STATEMENT

III.A.1. Provide a comparative balance sheet for the test year and the preceding year which corresponds with the test year date.

RESPONSE:

See the attached schedule, Exh.A – III.A.1

PHILADELPHIA GAS WORKS
BALANCE SHEET
(Dollars in Thousands)

	<u>Actual</u> <u>8/31/05</u>	<u>Actual</u> <u>8/31/06</u>	<u>Budget</u> <u>8/31/07</u>
<u>ASSETS</u>			
Utility Plant Net	981,722	1,007,648	1,049,790
Sinking Fund Reserve	104,530	94,352	102,050
Capital Improvement Fund	102,701	39,636	99,843
Cash	15,221	8,334	51,616
Gas	273,805	228,715	243,806
Other	12,522	1,962	506
Accrued Gas Revenues	8,787	12,572	10,568
Reserve for Uncollectible	(207,480)	(168,889)	(183,489)
Accounts Receivable:	87,634	74,360	71,391
Materials & Supplies	129,984	149,438	180,389
Other Current Assets	(164)	1,640	3,056
Deferred Debits	2,796	26,679	3,228
Unamortized Bond Issuance Expense	39,094	42,089	46,912
Unamortized Extraordinary Loss	38,494	55,859	50,301
Deferred Environmental	9,513	4,847	9,513
Other Assets	8,297	4,188	2,881
TOTAL ASSETS	<u>1,519,822</u>	<u>1,509,070</u>	<u>1,670,970</u>
<u>EQUITY & LIABILITIES</u>			
City Equity	222,646	242,465	241,982
Revenue Bonds	1,045,371	1,042,429	1,154,384
TECA Accretions	14,313	12,609	13,913
Unamortized Discount	(9,484)	(5,113)	(5,683)
Unamortized Premium	22,901	20,797	18,826
Long Term Debt:	1,073,101	1,070,722	1,181,440
Notes Payable	49,900	55,000	90,000
City Loan	45,000	45,000	43,000
Accounts Payable	63,918	40,316	59,468
Customer Deposits	6,280	8,628	9,000
Other Current Liabilities	3,734	3,950	2,129
Deferred Credits	14,608	4,187	4,724
Accrued Interest	9,591	9,002	14,374
Accrued Taxes & Wages	3,861	4,771	2,796
Accrued Distribution to City	3,000	3,000	3,000
Other Liabilities	24,183	22,029	19,057
TOTAL EQUITY & LIABILITIES	<u>1,519,822</u>	<u>1,509,070</u>	<u>1,670,970</u>

Philadelphia Gas Works' Base Rate Filing

III. BALANCE SHEET AND OPERATING STATEMENT

III.A.2. Set forth the major items of Other Physical Property, Investments in Affiliated Companies and Other Investments.

RESPONSE:

Major items included in Account 121 – Non-Utility Property and Account 124 – Other Investments for Philadelphia Gas Works at **August 31, 2007** are detailed below:

Account 121 – Non-Utility Property (Total Corporation)

None \$0

Account 124 – Other Investments (Total Corporation)

None \$0

Philadelphia Gas Works' Base Rate Filing

III. BALANCE SHEET AND OPERATING STATEMENT

III.A.3. Supply the amounts and purpose of Special Cash Accounts of all types, such as:

III.A.3.a. Interest and Dividend Special Deposits.

III.A.3.b. Working Funds other than general operating cash accounts.

III.A.3.c. Other special cash accounts and amounts (Temporary cash investments).

RESPONSE:

The amounts and purpose of Special Cash Accounts for FY 2006 are as follows:

Account 132 – Interest Special Deposits (Total Corporation) \$ 0

None

Account 135 – Working Funds (Total Corporation) \$47,568

The balance is comprised of petty cash and working funds for use by district offices and various departments. Funds are for small business expenses.

Account 136 – Temporary Cash Investments (Total Corporation) \$ 0

The balance is comprised of a security deposit on a guaranteed revenue contract for one customer, plus accrued interest.

The amounts and purpose of Special Cash Accounts for FY 2007 are as follows:

Account 132 – Interest Special Deposits (Total Corporation) \$ 0

None

Account 135 – Working Funds (Total Corporation) \$50,737

The balance is comprised of petty cash and working funds for use by district offices and various departments. Funds are for small business expenses.

Account 136 – Temporary Cash Investments (Total Corporation) \$ 0

The balance is comprised of a security deposit on a guaranteed revenue contract for one customer, plus accrued interest.

Philadelphia Gas Works' Base Rate Filing

III. BALANCE SHEET AND OPERATING STATEMENT

III.A.4. Describe the nature and/or origin and amounts of notes receivable, accounts receivable from associated companies, and any other significant receivables, other than customer accounts, which appear on balance sheet.

RESPONSE:

Fiscal Year 2006

Account 141 – Notes Receivable (Total Corporation) \$106,000

The account balance reflects outstanding notes pertaining to a natural gas infrastructure project performed for a customer.

Account 143 – Other Accounts Receivable (Total Corporation) \$1,296,000

Miscellaneous – reimbursement for projects on PGW property – \$1,211,000
City of Philadelphia – Miscellaneous – \$85,000

Fiscal Year 2007

Account 141 – Notes Receivable (Total Corporation) \$56,000

The account balance reflects outstanding notes pertaining to a natural gas infrastructure project performed for a customer

Account 143 – Other Accounts Receivable (Total Corporation) \$450,000

Miscellaneous – reimbursement for projects on PGW property – \$400,000
City of Philadelphia – Miscellaneous – \$50,000

Philadelphia Gas Works' Base Rate Filing

III. BALANCE SHEET AND OPERATING STATEMENT

III.A.5. Provide the amount of accumulated reserve for uncollectible accounts, method and rate of accrual, amounts accrued, and amounts written-off in each of last three years.

RESPONSE:

**Accumulated Provision
for Uncollectible Accounts, Accruals, Write-Offs, & Recoveries
for the Twelve Months Ended August 31, 2003, 2004, 2005 & 2006**

G/L Acct # 1440

<u>Period Ending</u>	<u>Beginning Balance</u>	<u>Accruals (JE #2101)</u>	<u>Write-Offs (JE #2102)</u>	<u>Recoveries & Other (JE #3505, 3510, 3512)</u>	<u>Ending Balance</u>
08/31/2003	(187,461,382)	(85,000,000)	53,576,910	(9,663,378)	(228,547,850)
08/31/2004	(228,547,850)	(71,000,000)	71,810,001	(2,478,127)	(230,215,976)
08/31/2005	(230,215,976)	(70,424,000)	92,891,001	268,751	(207,480,224)
08/31/2006	(207,480,224)	(40,132,000)	95,804,304	(17,081,141)	(168,889,061)

PGW's Gas Receivable Write Off Procedure

PGW's collection activity which leads to shut off and eventually write off is in compliance with the rules set forth in the PGW Gas Service Tariff.

Reminder Notice

Mailed 5-7 days after due date

Initial Shut off Notice

Mailed 7 days after Reminder Notice

Informs customer of their rights & remedies and date of shut off

1st Attempt at Personal Contact

7 days after Initial Shut off Notice

Phone or field visit.

Inform customer of their rights and remedies attempts to enter into payment arrangements to avoid shut off.

Philadelphia Gas Works' Base Rate Filing

III. BALANCE SHEET AND OPERATING STATEMENT

2nd Attempt at Personal Contact

14 Days after Initial Shut off Notice

If personal contact: inform customer of their rights & remedies and attempt to enter into payment arrangements to avoid shut off.

If there is personal contact and no reason to avoid shut off exists: possible termination of service.

If no personal contact: a 24 hour shut off notice is posted at property. If after 24 hours the reason for the termination has not been eliminated, termination may be effected

Additional Notice

If shut off did not take within 10 days of the previous notice, and the reason for the termination has not been eliminated and PGW has access to a shut off valve, a 72 hour shut off notice will be posted. Termination may take place after the 72 hours have passed.

Final Bill Notice

During the 90 to 120 day final bill period several dunning notices are sent reminding debtors of their obligation.

Write off

If final bill remains unpaid PGW writes off receivable 90 to 120 days after the date of service disconnection.

Time Line from Shut off to Write off

Once an account is terminated and the final bill remains unpaid.

Day 1	Shut off
Day 10	Closing Bill Generated
Day 30	Due Date
Day 45	Reminder Notice
Day 60	2nd Notice
Day 75	Final Notice
Day 90	Write off

Philadelphia Gas Works' Base Rate Filing

III. BALANCE SHEET AND OPERATING STATEMENT

III.A.6. Provide a list of prepayments and give an explanation of special prepayments.

RESPONSE:

Account 165 – Prepayments as of August 31, 2006

Prepaid Taxes	\$693,000
Balance represents taxes paid in Fiscal Year 2006, however the liability occurred in Fiscal Year 2007.	
Prepaid Insurance	207,000
Balance represents unamortized portion of insurance premiums which are expensed over the period of the insurance coverage.	
Prepaid Postage	145,000
Balance represents outstanding amount of postage meter.	
Pennsylvania Utility Commission	0
Balance represents unamortized portion of the general assessment for the period July 1, 2006 – June 30, 2007.	
Miscellaneous Prepaid Expenses	<u>6,000</u>
Total	<u>\$1,051,000</u>

Account 165 – Prepayments as of August 31, 2007

Prepaid Insurance	\$925,000
Balance represents unamortized portion of insurance premiums which are expensed over the period of the insurance coverage.	
Prepaid Postage	25,000
Balance represents outstanding amount of postage meter.	
Pennsylvania Utility Commission	2,100,000
Balance represents unamortized portion of the general assessment for the period July 1, 2007 – June 30, 2008.	
Miscellaneous Prepaid Expenses	<u>6,000</u>
Total	<u>\$3,056,000</u>

Philadelphia Gas Works' Base Rate Filing

III. BALANCE SHEET AND OPERATING STATEMENT

III.A.7. Explain in detail any other significant (in amount) current assets listed on balance sheet.

RESPONSE:

Current Asset Detail as of August 31, 2006

Account 142 - Customer Accounts Receivable	
Gas Accounts Receivable	\$228,327,000
Merchandise Receivable	<u>388,000</u>
Total Customer Accounts Receivable	\$228,715,000

Account 154 - Plant Material and Operating Supplies	
General Storeroom	\$ 9,540,000
Odorant & Gas Holders	<u>28,000</u>
Total Plant Material and Operating Supplies	\$ 9,568,000

Account 164 - Gas Storage	
Pipeline Storage	\$110,484,000
LNG Storage	<u>29,386,000</u>
Total Gas Storage	\$139,870,000
Total Material & Gas Storage	\$149,438,000

Account 173 - Accrued Utility Revenue	\$ 12,572,000
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Current Asset Detail as of August 31, 2007

Account 142 - Customer Accounts Receivable	
Gas Accounts Receivable	\$253,634,000
Merchandise Receivable	<u>500,000</u>
Total Customer Accounts Receivable	\$254,134,000

Account 154 - Plant Material and Operating Supplies	
General Storeroom	\$ 9,028,000
Odorant & Gas Holders	<u>40,000</u>
Total Plant Material and Operating Supplies	\$ 9,068,000

Account 164 - Gas Storage	
Pipeline Storage	\$128,702,000
LNG Storage	<u>42,619,000</u>
Total Gas Storage	\$171,321,000
Total Material & Gas Storage	\$180,389,000

Account 173 - Accrued Utility Revenue	\$ 11,805,000
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Philadelphia Gas Works' Base Rate Filing

III. BALANCE SHEET AND OPERATING STATEMENT

III.A.8. Explain in detail, including the amount and purpose, the deferred asset accounts that currently operate to effect or will at a later date effect the operating account supplying:

III.A.8.a. Origin of these accounts.

III.A.8.b. Probable changes to this account in the near future.

III.A.8.c. Amortization of these accounts currently charged to operations or to be charged in the near future.

III.A.8.d. Method of determining yearly amortization for the following accounts:

- Temporary Facilities
- Miscellaneous Deferred Debits
- Research and Development
- Property Losses
- Any other deferred accounts that effect operating results.

RESPONSE:

III.A.8.a. Origin of these accounts.

ACCOUNT 183.2 OTHER PRELIMINARY SURVEY AND INVESTIGATION

1832.1144 Advanced Engineering \$ 589,214

Account 1832.1144 represents the preparation of plans, design specifications, prototyping, and costs estimates associated with developing the technology and production processes of the Philadelphia Gas Works' natural gas plant facilities and distribution system.

ACCOUNT 186.0 MISCELLANEOUS DEFERRED DEBITS

The deferred asset account is maintained by the following sub-accounts:

1860.1170	State Sales - Uncollectible Gas Accounts	\$ 361,178
1860.1077	Advanced Contributions - UESP	(21,436)
1860.1100	Job Costs Accumulated Unbilled	406,262
1860.1171	Returnable Containers	2,130
1860.1176	Deferred GCR Adjustment	22,477,938
1860.1183	Accumulated W/O Reimbursable	3,099,896
1860.1232	Normalization ADP Payroll System	126,819
1860.1233	Normalization Oracle 11i Upgrade	191,035
1860.1234	Normalization Noetix Upgrade	4,214
1860.1235	Normalization Business Continuity	30,533
1860.1145	Environmental Remediation	4,846,827

Philadelphia Gas Works' Base Rate Filing

III. BALANCE SHEET AND OPERATING STATEMENT

Account 1860.1170 represents sales tax PGW paid to the state of Pennsylvania for customer's accounts that were never collected.

Account 1860.1077 represents money that was donated by employees and/or customers to the Utility Services Emergency Fund (USEF).

Account 186.1100 represents costs that PGW accumulates when working on a project (i.e. labor).

Account 1860.1171 represents the deposit value of returnable containers such as liquid oxygen, propane, etc.

Account 1860.1176 represents when the Company is under collected regarding the gas cost rate (GCR).

Account 1860.1183 represents estimates for accrued reimbursements due PGW.

Account number 1860.1232 represents the unamortized portion of installation and implementation costs, which are being amortized over five years, associated with the upgrade of the Philadelphia Gas Works' ADP payroll system.

Account number 1860.1233 represents the unamortized portion of installation and implementation costs, which are being amortized over five years, associated with the upgrade of the Philadelphia Gas Works' Oracle Financial system.

Account number 1860.1234 represents the unamortized portion costs associated with the installation of the Noetix report platform, which are being amortized over five years.

Account number 1860.1235 represents the unamortized portion of software and consultation costs associated with disaster recovery planning (Business Continuity), which are being amortized over five years.

Account number 1860.1145 represents the long term portion of environmental remediation cost projected to occur between September 1, 2007 and August 31, 2012.

III.A.8.b. Probable changes to this account in the near future.

There will be no significant changes to the accounts in the near future.

III.A.8.c. Amortization of these accounts currently charged to operations or to be charged in the near future.

Amortization is currently being charged to the aforementioned operating accounts.

Philadelphia Gas Works' Base Rate Filing

III. BALANCE SHEET AND OPERATING STATEMENT

III.A.8.d. Method of determining yearly amortization for the following accounts:

- Temporary Facilities – Not Applicable
- Miscellaneous Deferred Debits – Please see description of account(s) above.
- Research and Development – Not Applicable
- Property Losses – Not Applicable
- Any other deferred accounts that effect operating results – Please see description of account(s) above.

Philadelphia Gas Works' Base Rate Filing

III. BALANCE SHEET AND OPERATING STATEMENT

III.A.9. Explain the nature of accounts payable to associated companies, and note amounts of significant items.

RESPONSE: Not applicable

PGW has no associated companies.

Philadelphia Gas Works' Base Rate Filing

III. BALANCE SHEET AND OPERATING STATEMENT

III.A.10. Provide details of other deferred credits as to their origin and disposition policy (e.g.—amortization).

RESPONSE:

Account 253 - Other Deferred Credits as of August 31, 2006

Gas Service Security Deposits	\$ 290,000
This amount represents customer security deposits for new gas services.	
Environmental Clean-Up	2,430,000
The amount represents proceeds from the insurance companies that will be used to offset future environmental remediation expenses.	
Appliance Parts & Labor Plans	1,309,000
The amount represents payments received from customers which will be amortized over the life of the Plan.	
Unidentified Customer Payments	117,000
This amount represents payments received from customers and are in the process of being researched to properly be applied to the correct customer's accounts.	
Meter Test Deposits	30,000
This amount represents customer deposits on meters that are being tested.	
Miscellaneous	<u>12,000</u>
Total	<u>\$4,188,000</u>

Account 253 - Other Deferred Credits as of August 31, 2007

Environmental Clean-Up	\$3,423,000
The amount represents proceeds from the insurance companies that will be used to offset future environmental remediation expenses.	
Appliance Parts & Labor Plans	1,185,000
The amount represents payments received from customers which will be amortized over the life of the Plan.	
Unidentified Customer Payments	75,000
This amount represents payments received from customers and are in the process of being researched to properly be applied to the correct customer's accounts.	
Meter Test Deposits	30,000
This amount represents customer deposits on meters that are being tested.	
Miscellaneous	<u>11,000</u>
Total	<u>\$4,724,000</u>

Philadelphia Gas Works' Base Rate Filing

III. BALANCE SHEET AND OPERATING STATEMENT

III.A.11. Supply basis for Injury and Damages reserve and amortization thereof.

RESPONSE:

Account 228.2 **\$4,159,329**

Accumulated Provision for Injuries and Damage at August 31, 2006

Account 228201
Reserve for Injuries & Damages **\$1,668,656**

This amount represents the reserve for third party injuries and damages. This reserve is evaluated on a semi-annual basis and includes specifically identified accruals for known, probable future expenses, as determined by Management.

Account 228202
Reserve for Workers' Compensation Injuries & Damages **\$2,490,623**

This amount represents the reserve for workers' compensation injuries and damages. The reserve is evaluated on a semi-annual basis and includes not only specifically identified accruals for known, probable future expenses, but also expenses which were incurred but not reported, as determined by Management.

Philadelphia Gas Works' Base Rate Filing

III. BALANCE SHEET AND OPERATING STATEMENT

III.A.12. Provide details of any significant reserves, other than depreciation, bad debt, injury and damages, appearing on balance sheet.

RESPONSE:

Account 242 - Accrued Wages as of August 31, 2006

Compensated Absences **\$ 3,180,000**

This amount represents unused employee vacation time earned during the period.

Accrued Wages **\$ 1,588,000**

This amount represents wages earned but unpaid at the end of the fiscal year.

Workers' Compensation **\$ 2,770,000**

This amount represents the estimated current liability for Workers' Compensation applicable to on-duty employees' accidents.

Account 242- Accrued Wages as of August 31, 2007

Compensated Absences **\$ 2,546,000**

This amount represents unused employee vacation time earned during the period.

Accrued Wages **\$ 250,000**

This amount represents wages earned but unpaid at the end of the fiscal year.

Workers' Compensation **\$ 950,000**

This amount represents the estimated current liability for Workers' Compensation applicable to on-duty employees' accidents.

Philadelphia Gas Works' Base Rate Filing

III. BALANCE SHEET AND OPERATING STATEMENT

III.A.13. Provide an analysis of unappropriated retained earnings for the test year and three preceding calendar years.

RESPONSE:

Philadelphia Gas Works
Unappropriated Retained Earnings
(Dollars in Thousands)

	Fiscal Years ended August 31,			
	<u>Actual 2004</u>	<u>Actual 2005</u>	<u>Estimate 2006</u>	<u>Projected 2007</u>
Balance, Beginning of Year	\$ 194,215	\$ 211,374	\$ 222,646	\$ 233,063
Balance, Transferred from Income	17,159	11,272	10,417	8,919
Balance, End of Year	<u>\$ 211,374</u>	<u>\$ 222,646</u>	<u>\$ 233,063</u>	<u>\$ 241,982</u>

	Calendar Years ended December 31,		
	<u>Actual 2003</u>	<u>Actual 2004</u>	<u>Actual 2005</u>
Balance, Beginning of Year	\$ 207,343	\$ 208,334	\$ 211,109
Balance, Transferred from Income	991	2,775	(19,689)
Balance, End of Year	<u>\$ 208,334</u>	<u>\$ 211,109</u>	<u>\$ 191,420</u>

Philadelphia Gas Works' Base Rate Filing

III. BALANCE SHEET AND OPERATING STATEMENT

III.A.14. Provide schedules and data in support of the following working capital items:

- III.A.14.a. Prepayments—List and identify all items
- III.A.14.b. Federal Excise Tax accrued or prepaid
- III.A.14.c. Federal Income Tax accrued or prepaid
- III.A.14.d. Pa. State Income Tax accrued or prepaid
- III.A.14.e. Pa. Gross Receipts Tax accrued or prepaid
- III.A.14.f. Pa. Capital Stock Tax accrued or prepaid
- III.A.14.g. Pa. Public Utility Realty Tax accrued or prepaid
- III.A.14.h. State sales tax accrued or prepaid
- III.A.14.i. Payroll taxes accrued or prepaid
- III.A.14.j. Any adjustment related to the above items for ratemaking purposes.

RESPONSE:

14.a. Prepayments

See the response to III.A.6

14.b thru g - Not applicable

14.h. State sales tax accrued or prepaid

August 31, 2005	\$458,000
August 31, 2006	\$468,000
August 31, 2007	\$650,000

14.i. Payroll taxes accrued or prepaid

The following Payroll Taxes were Prepaid as of August 31, 2006 for pay period ending September 1, 2006 (Fiscal Year 2007).

Social Security – Employee & Employer Portions	\$239,601.46
Medicare – Employee & Employer Portions	56,563.95
Federal Withholding Tax – Employee	258,011.94
Pennsylvania Withholding Tax – Employee	54,978.20
Philadelphia Wage Tax – Employee	82,530.61
Pennsylvania State Unemployment Tax – Employee	<u>1,799.96</u>
Total Prepaid Payroll Taxes 8/31/2006	\$693,486.12

14.j. - Not applicable

Philadelphia Gas Works' Base Rate Filing

III. BALANCE SHEET AND OPERATING STATEMENT

III.A.15. Supply an exhibit supporting the claim for working capital requirement based on the lead-lag method.

III.A.15.a. Pro forma expenses and revenues are to be used in lieu of book data for computing lead-lag days.

III.A.15.b. Respondent must either include sales for resale and related expenses in revenues and in expenses or exclude from revenues and expenses. Explain procedures followed (exclude telephone).

RESPONSE: *Not applicable.*

Philadelphia Gas Works' Base Rate Filing

III. BALANCE SHEET AND OPERATING STATEMENT

III.A.16. Provide detailed calculations showing the derivation of the tax liability offset against gross cash working capital requirements.

RESPONSE: Not applicable.

Philadelphia Gas Works' Base Rate Filing

III. BALANCE SHEET AND OPERATING STATEMENT

III.A17. Prepare a Statement of Income for the various time frames of the rate proceeding including:

Col. 1—Book recorded statement for the test year.

2—Adjustments to book record to annualize and normalize under present rates.

3—Income statement under present rates after adjustment in Col. 2

4—Adjustment to Col. 3 for revenue increase requested.

5—Income statement under requested rates.

III.A.17.a. Expenses may be summarized by the following expense classifications for purposes of this statement:

Operating Expenses (by category), Depreciation , Amortization, Taxes, Other than Income Taxes, Total Operating Expense, Operating Income Before Taxes, Federal Taxes, State Taxes, Deferred Federal, Deferred State Income Tax Credits, Other Credits, Other Credits and Charges, etc., Total Income Taxes, Net Utility Operating Income, Other Income & Deductions, Other Income Detailed listing of Other Income used in Tax Calculation, Other Income Deduction, Detailed Listing, Taxes Applicable to Other Income and Deductions, Listing, Income Before Interest Charges, Listing of all types of Interest Charges and all amortization of Premiums and/or Discounts and Expenses on Debt issues, Total Interest, Net Income After Interest Charges

(Footnote each adjustment to the above statements with explanation in sufficient clarifying detail.)

RESPONSE:

Please see the attached statement of projected income at present and proposed rates for the twelve months ending August 31, 2007.

PHILADELPHIA GAS WORKS
STATEMENT OF PROJECTED INCOME AT PRESENT and PROPOSED RATES
ANNUALIZED TWELVE MONTHS ENDING AUGUST 31, 2007

	(1) Normalized Twelve Months Ended August 31, 2007	(2) Adjustments Under Present Rates	(3) Annualized Twelve Months Ended August 31, 2007	(4) Adjustments Under Proposed Rates	(5) Adjusted Twelve Months Ended August 31, 2007
<u>Operating Revenues</u>					
Gas Service Revenues	\$ 934,834,000		\$ 934,834,000	\$ 105,237,000	\$ 1,040,071,000
Transportation Revenues	7,256,000		7,256,000	-	7,256,000
Other Operating Revenues	28,564,000		28,564,000	1,976,000	30,540,000
Total Operating Revenues	<u>\$ 970,654,000</u>	<u>\$ -</u>	<u>\$ 970,654,000</u>	<u>\$ 107,213,000</u>	<u>\$ 1,077,867,000</u>
<u>Operation & Maintenance Expenses</u>					
Natural Gas Costs	\$ 630,836,000		\$ 630,836,000		\$ 630,836,000
Other	229,720,000	217,000	229,937,000	7,288,000	237,225,000
Depreciation	38,196,000		38,196,000		38,196,000
Total Operating & Maintenance Expenses	<u>\$ 898,752,000</u>	<u>\$ 217,000</u>	<u>\$ 898,969,000</u>	<u>\$ 7,288,000</u>	<u>\$ 906,257,000</u>
Operating Income	\$ 71,902,000	\$ (217,000)	\$ 71,685,000	\$ 99,925,000	\$ 171,610,000
Other Income	11,212,000		11,212,000	5,919,000	17,131,000
Income Before Interest	<u>\$ 83,114,000</u>	<u>\$ (217,000)</u>	<u>\$ 82,897,000</u>	<u>\$ 105,844,000</u>	<u>\$ 188,741,000</u>
<u>Interest Expense</u>					
Long Term Debt	\$ 56,437,000		\$ 56,437,000		\$ 56,437,000
Other	13,186,000		13,186,000		13,186,000
AFUDC	(1,202,000)		(1,202,000)		(1,202,000)
Loss From Extinguishment of Debt	5,557,000		5,557,000		5,557,000
Total Interest	<u>\$ 73,978,000</u>	<u>\$ -</u>	<u>\$ 73,978,000</u>	<u>\$ -</u>	<u>\$ 73,978,000</u>
Net Income	\$ 9,136,000	\$ (217,000)	\$ 8,919,000	\$ 105,844,000	\$ 114,763,000

Philadelphia Gas Works' Base Rate Filing

III. BALANCE SHEET AND OPERATING STATEMENT

III.A.18. Provide comparative operating statements for the test year and the immediately preceding 12 months showing increases and decreases between the two periods. These statements should supply detailed explanation of the causes of the major variances between the test year and preceding year by detailed account number.

RESPONSE:

See Exh.A – III.A.18 for Comparative Operating Statements of the Philadelphia Gas Works' twelve months ended August 31, 2006 and August 31, 2007.

ACCOUNT 480.0 – RESIDENTIAL SALES **\$28,696,935**

The increase in revenues resulted from an increase in sales volume of 3,967,789 Mcf to residential customers, which was slightly offset by a decrease in the average price per Mcf of \$1.13. The average Mcf rate decreased from \$18.20 to \$17.70 for the twelve month period ending August 31, 2007.

ACCOUNT 481.0 – COMMERCIAL AND INDUSTRIAL SALES **\$14,633,303**

The increase in revenues resulted from an increase in sales of 1,179,065 Mcf to commercial and industrial customers, which was slightly offset by a decrease in the average price per Mcf of \$1.45. The average Mcf rate decreased from \$19.82 to \$18.37 for the twelve month period ending August 31, 2007. Similarly, sales to interruptible customers increased by 772,645 Mcf, whereas the average price per Mcf decreased by \$.94 when compared to the twelve month period ending August 31, 2006.

ACCOUNT 487.0 – FORFEITED DISCOUNTS **\$4,474,527**

Revenues associated with finance charges assessed on delinquent customer balances are expected to be higher than the same twelve month period ending August 31, 2006.

ACCOUNT 482.0 – PUBLIC AUTHORITY **\$5,726,797**

The increase in revenues resulted from an increase in sales volume of 461,249 Mcf to municipal and public customers, which was slightly offset by a decrease in the average price per Mcf of \$1.42. The average Mcf rate decreased from \$18.87 to \$17.46 when compared to the twelve month period ending August 31, 2006.

ACCOUNT 495.0 – OTHER GAS REVENUES **(\$40,787,411)**

The decrease in revenues of \$4,517,000 resulted from a decrease in sales volume utilized by customers but not yet billed during the period ending August 31, 2007. Additionally, gas cost recovery charges also decreased other gas revenue by \$36,270,412 from \$30,061,412 during the twelve month period ending August 31, 2006 to (\$6,209,000) during the twelve month ending August 31, 2007.

Philadelphia Gas Works' Base Rate Filing

III. BALANCE SHEET AND OPERATING STATEMENT

OTHER GAS SUPPLY

\$6,589,578

Natural Gas Expenses **\$5,759,930**

Natural gas costs increased by \$5,759,930 when as a result of an increase of 3.4 Bcf in the volume of natural gas utilized for send-out. Pipeline demand charges were also higher further increasing costs; however, the increase in total natural gas costs were partially offset by a decrease in the average cost per Mcf of \$.6210. The average cost per MCF decreased from \$10.2496 for the twelve month period ending August 31, 2006 to \$9.6286 for the twelve month period ending August 31, 2007.

Account 813.0 –

General Gas Supply Expenses **\$745,102**

A marginal increase in the cost of general gas supply expenses from \$11,406,296 for the twelve month period ending August 2006 to \$12,151,398 from the twelve month period ending August 31, 2007 further contributed to the increase in the over all total of Other Gas Supply Expenses.

OTHER STORAGE EXPENSES

(\$1,016,637)

Account 842.1 –

Other Storage Expense Fuel **(\$797,917)**

A net decrease in the liquefaction of natural gas for storage in the liquefaction season resulted in lower LNG fuel costs for the twelve month period ending August 31, 2007.

CUSTOMER ACCOUNTS

\$14,417,924

Account 904.0 –

Uncollectible Accounts **\$12,126,000**

The increase is due to an increase in uncollectible utility revenue.

Account 902.0 –

Meter Reading Expenses **\$985,270**

The increase is due to an increase in the amount of meters expected to be replaced during the twelve month period ending August 31, 2007.

Account 903.0 –

Records & Collection Expenses **\$1,008,213**

The increase is due to an increase in labor and other general expenses associated with the call center and field collection activities.

Philadelphia Gas Works' Base Rate Filing

III. BALANCE SHEET AND OPERATING STATEMENT

CUSTOMER SERVICE

\$1,101,121

Account 908.0 –

Customer Assistance \$576,147

The increase is due to an increase in LIHEAP expenses as well as expenses incurred from the Conservation Works Program (CWP) that were not experienced in the twelve month period ending August 31, 2006.

ADMINISTRATIVE & GENERAL

(\$6,294,102)

Account 925.0 –

Injuries And Damages (\$1,846,414)

The cost of claims and liability insurance decreased from \$8,270,464 for the twelve month period ending August 31, 2006 to \$6,424,050 for the twelve month period ending August 31, 2007.

Account 922.0 –

Admin. Expenses Transferred (\$2,635,040)

The allocation of employee related fringe benefits to capital projects and allocated costs for capitalized administrative & general charges increased reflecting a higher level of expenses being charged to capital work orders during the period ending August 31, 2007 when compared to the twelve month period ending August 31, 2006.

Account 926.0 –

Employee Pension & Benefits (\$2,487,792)

The payment of pension benefits to beneficiaries decreased from \$31,426,008 for the period ending August 31, 2006 to \$30,129,000 for the period ending August 31, 2007.

The withdrawal of pension fund deposits increased from (\$13,863,216) for the period ending August 31, 2006 to (17,379,000) for the period ending August 31, 2007.

DEPRECIATION

\$3,471,323

The amount of depreciable assets increased for the twelve month period ending August 31, 2007.

ACCOUNT 419.0 - INTEREST & DIVIDEND INCOME

\$2,847,528

The increase is due to a projected \$482,986 increase of interest earned on time deposits and government securities and \$992,575 increase of interest earned on the capital improvement fund for the twelve month period ending August 12, 2007.

Philadelphia Gas Works' Base Rate Filing

III. BALANCE SHEET AND OPERATING STATEMENT

ACCOUNT 427.0 - INTEREST ON LONG TERM DEBT **\$4,638,120**

The increase is attributed to an increase in the amount of long term debt incurred for the twelve month period ending August 31, 2007.

ACCOUNT 431.0 - OTHER INTEREST EXPENSES **\$3,076,196**

The increase in interest expenses is attributed to an increase in the amount of interest paid on commercial note payables during the twelve month period ending August 31, 2007.

PHILADELPHIA GAS WORKS
COMPARATIVE OPERATING STATEMENTS
TWELVE MONTHS ENDED AUGUST 31, 2006 & 2007

OPERATING REVENUES	<u>August 31, 2006</u>	<u>August 31, 2007</u>	<u>Increase/ (Decrease)</u>
SALES OF GAS			
480.0 Residential Sales	\$ 627,979,065	\$ 656,676,000	\$ 28,696,935
481.0 Commercial & Industrial Sales	233,821,697	248,455,000	14,633,303
482.0 Public Authority Sales	30,911,203	36,638,000	5,726,797
483.0 Sales for Resale	3,464	6,000	2,536
489.3 Gas Transportation Service Sales	6,459,109	7,256,000	796,891
495.0 Other Gas Revenues	33,846,411	(6,941,000)	(40,787,411)
Total Gas Revenues	<u>933,020,949</u>	<u>942,090,000</u>	<u>9,069,051</u>
OTHER OPERATING			
487.0 Forfeited Discounts	13,271,473	17,746,000	4,474,527
488.0 Miscellaneous Service Revenue	253,443	286,000	32,557
	<u>13,524,916</u>	<u>18,032,000</u>	<u>4,507,084</u>
TOTAL OPERATING REVENUE	<u><u>946,545,865</u></u>	<u><u>960,122,000</u></u>	<u><u>13,576,135</u></u>
OPERATING & MAINTENANCE EXPENSES			
700.0 - 708.0 Steam Production	1,395,853	934,846	(461,007)
710.0 - 742.0 Manufactured Gas Production	1,394,084	1,726,265	332,181
804.0 - 837.0 Other Gas Supply	623,497,792	630,087,370	6,589,578
840.0 - 843.9 Other Storage	12,146,375	11,129,738	(1,016,637)
850.0 - 870.0 Transmission	1,197,050	1,264,603	67,553
871.0 - 894.0 Distribution	44,126,807	44,437,746	310,939
901.0 - 905.0 Customer Accounts	65,005,258	79,423,182	14,417,924
907.0 - 910.0 Customer Service	4,953,979	6,055,100	1,101,121
920.0 - 931.0 Administrative & General	74,991,756	68,697,654	(6,294,102)
Total O&M Expenses	<u>828,708,954</u>	<u>843,756,504</u>	<u>15,047,550</u>
OTHER EXPENSES			
403.0 Depreciation Expenses	34,724,677	38,196,000	3,471,323
408.1 Taxes Other than Income Taxes	6,123,822	6,485,000	361,178
Total Depreciation and Taxes	<u>40,848,499</u>	<u>44,681,000</u>	<u>3,832,501</u>
TOTAL OPERATING EXPENSES	<u><u>869,557,453</u></u>	<u><u>888,437,504</u></u>	<u><u>18,880,051</u></u>
OTHER INCOME			
417.0 Non Utility Revenue	58,309	-	(58,309)
417.1 Expense Non-Utility Operations	(21)	-	21
418.0 Non Operating Rental Income	58,823	64,000	5,177
419.0 Interest & Dividend Income	7,615,472	10,463,000	2,847,528
421.0 Miscellaneous Non Operating Income	1,135,583	735,000	(400,583)
426.3 Reserved Penalties	(104,500)	(50,000)	54,500
426.5 Other Deductions	(245,949)	-	245,949
Total Other Income	<u>8,517,717</u>	<u>11,212,000</u>	<u>2,694,283</u>
INTEREST			
427.0 Interest on Long Term Debt	51,798,880	56,437,000	4,638,120
428.0 Amortization of Debt Discount & Expense	3,721,730	4,207,591	485,861
428.1 Amortization of Loss on Required Debt	5,331,674	5,557,000	225,326
429.0 Amortization of Premium on Debt	(2,057,053)	(1,970,778)	86,275
431.0 Other Interest Expenses	7,872,991	10,949,187	3,076,196
432.0 Allowance for Borrowed Funds Used During Construction	(980,835)	(1,202,000)	(221,165)
Total Interest	<u>65,687,387</u>	<u>73,978,000</u>	<u>8,290,613</u>
NET INCOME	<u><u>\$ 19,818,742</u></u>	<u><u>\$ 8,918,496</u></u>	<u><u>\$ (10,900,246)</u></u>

Philadelphia Gas Works' Base Rate Filing

III. BALANCE SHEET AND OPERATING STATEMENT

III.A.19. List extraordinary property losses as a separate item, not included in operating expenses or depreciation and amortization. Sufficient supporting data must be provided.

RESPONSE: Not applicable

Philadelphia Gas Works' Base Rate Filing

III. BALANCE SHEET AND OPERATING STATEMENT

III.A.20. Supply detailed calculations of amortization of rate case expense, including supporting data for outside services rendered. Provide the items comprising the rate case expense claim (include the actual billings or invoices in support of each kind of rate case expense), the items comprising the actual expenses of prior rate cases and the unamortized balances.

RESPONSE:

Base Rate Case Expenses:

Cost of Service Study	\$100,000
Legal Counsel Costs	500,000
Expert Witness Costs	100,000
Miscellaneous	<u>50,000</u>
Total:	\$750,000

These are the projected base rate costs to be incurred by PGW during the upcoming rate proceeding. These costs are anticipated to be amortized over a three year period.

Philadelphia Gas Works' Base Rate Filing

III. BALANCE SHEET AND OPERATING STATEMENT

III.A.21. Submit detailed computation of adjustments to operating expenses for salary, wage and fringe benefit increases (union and non-union merit, progression, promotion and general) granted during the test year and six months subsequent to the test year. Supply data showing for the test year:

III.A.21.a. Actual payroll expense (regular and overtime separately) by categories of operating expenses, i.e., maintenance, operating transmission, distribution, other.

III.A.21.b. Date, percentage increase, and annual amount of each general payroll increase during the test year.

III.A.21.c. Dates and annual amounts of merit increases or management salary adjustments.

III.A.21.d. Total annual payroll increases in the test year.

III.A.21.e. Proof that the actual payroll plus the increases equal the payroll expense claimed in the supporting data (by categories of expenses).

III.A.21.f. Detailed list of employee benefits and cost thereof for union and non-union personnel. Any specific benefits for executives and officers should also be included, and cost thereof.

III.A.21.g. Support the annualized pension cost figures.

III.A.21.g (i) State whether these figures include any unfunded pension costs. Explain.

III.A.21.g.(ii) Provide latest actuarial study used for determining pension accrual rates.

III.A.21.h. Submit a schedule showing any deferred income and consultant fee to corporate officers or employees.

RESPONSE:

Philadelphia Gas Works' Base Rate Filing

III. BALANCE SHEET AND OPERATING STATEMENT

21a. Payroll expense by categories of operating expenses for the twelve months ended August 31, 2007.

		<u>Operations</u>	<u>Maintenance</u>	<u>Total</u>
7000 - 7080	Steam Production	\$108,432	\$72,146	\$180,578
7100 - 7420	Manufactured Gas Production	808,027	95,567	903,594
8000 - 8130	Other Gas Supply	903,594	0	903,594
8400 - 8439	Other Storage	2,629,956	2,854,647	5,484,603
8500 - 8700	Transmission	863,123	0	863,123
8710 - 8940	Distribution	22,215,927	7,440,099	29,656,026
9010 - 9050	Customer Accounts	18,785,532	0	18,785,532
9070 - 9100	Customer Service	1,664,000	0	1,664,000
9200 - 9310	Administrative & General	<u>13,194,950</u>	<u>0</u>	<u>13,194,950</u>
		\$61,173,541	\$10,462,459	\$71,636,000
1630-1639	Total Labor Charged to Stores Expense	\$2,726,000	\$0	\$2,726,000
1840-1849	Total Labor Charged to Clearing Expense	<u>8,007,000</u>	<u>0</u>	<u>\$8,007,000</u>
		\$10,733,000	\$0	\$10,733,000
	Total Labor Charged	<u>\$71,906,541</u>	<u>\$10,462,459</u>	<u>\$82,369,000</u>

Neither the Uniform System of Accounts nor Company records distinguish between regular and overtime labor charged to functional accounts.

21b. Date, percentage increase, and annual amount of each general payroll increase during the test year (twelve months ended August 31, 2007).

	<u>Date Effective</u>	<u>Percent Increase</u>	<u>Estimated Annual Amount</u>
Bargaining Group Local 686, Utility Workers' Union of America	September 1, 2006	3.00%	\$1,561,612
Bargaining Group Local 686, Utility Workers' Union of America	May 15, 2007	2.50%	\$400,279

21c. Dates and annual amounts of merit increases or management salary adjustments.

	<u>Date Effective</u>	<u>Estimated Annual Amount</u>
Supervisory/Management	September 1, 2006	\$743,108
Supervisory/Management	August 31, 2007	\$500,000

21d. Total annual payroll increases in the test year.

Bargaining Group Local 686, Utility Workers' Union of America	\$1,961,891
Supervisory/Management	\$1,243,108

Philadelphia Gas Works' Base Rate Filing

III. BALANCE SHEET AND OPERATING STATEMENT

- 21e. **Proof that the actual payroll plus the increases equal the payroll expense claimed in the supporting data (by categories of expenses).**

<u>Total Labor charged to Operating and Maintenance Expenses:</u>	
Per Twelve Months Ended August 31, 2007	\$79,164,001
Salary/Wage Adjustments	<u>3,204,999</u>
Normalized August 31, 2007	<u>\$82,369,000</u>

- 21f. **Detailed list of employee benefits and cost thereof for union and non-union personnel.**

<u>Twelve Months ending August 31, 2007:</u>	
Group Life Insurance	\$2,100,000
Health Insurance	37,784,000
457(K) Plan	355,000
Legal Services	265,000
Tuition Reimbursement	118,000
Pension Expense	<u>15,075,000</u>
Total Benefits	<u>\$55,697,000</u>

- 21g. **Support the annualized pension cost figures.**

- (i) **State whether these figures include any unfunded pension costs. Explain.**
The figures in the attached actuarial study include unfunded pension costs.
- (ii) **Provide latest actuarial study used for determining pension accrual rates.**
Aon's Actuarial Report for the Plan Year Ending August 31, 2006 is attached.

- 21h. **Submit a schedule showing any deferred income and consultant fee to corporate officers or employees.**

No deferred income or consultant fees to corporate officers or employees are being claimed in this rate proceeding.



Philadelphia Gas Works Pension Plan

Actuarial Report for Funding Information

Valuation Date: September 1, 2005
Plan Year Ending: August 31, 2006

Date of Report: November 22, 2006



Aon Consulting

November 22, 2006

Philadelphia Gas Works
1800 N. Ninth Street
Philadelphia, PA 19122

We have been retained by Philadelphia Gas Works to perform the actuarial valuation of the Philadelphia Gas Works Pension Plan as of September 1, 2005. This report sets forth the contribution range for the Plan Year, running from September 1, 2005 through August 31, 2006. The valuation is based on data sent to us by Philadelphia Gas Works, the Plan as described in the official Plan document, the assets of the Plan as reported by Philadelphia Gas Works, and the stated actuarial assumptions.

The purposes of the actuarial valuation are:

1. To determine the financial condition of the Plan and the contribution requirements for the Plan year;
2. To provide information to be used in the preparation of any required governmental forms;
3. To provide information for use in satisfying the requirements of your auditors;
4. To provide actuarial certification of the adequacy and appropriateness of the cost method and assumptions used for your Plan; and
5. To provide comments on the developing experience under your Plan, the need for changes in the Plan or funding, and other areas of concern to you. In this respect, the actuarial valuation report becomes an essential source of information for discussions throughout the year on the Pension Plan.



Philadelphia Gas Works
November 22, 2006
Page ii

In our opinion, this report is complete and accurate, and the actuarial assumptions and methods, in the aggregate, are reasonably related to the experience of the Plan and represent our best estimate of future Plan experience as it should be considered for proper funding of your pension obligations. It is also our opinion that each of the actuarial assumptions and methods utilized in this valuation are reasonable (taking into account the experience of the plan and reasonable expectations) or, in the aggregate, result in total contribution equivalents that would be determined if each assumption and method were reasonable.

Aon Consulting is pleased to submit this report of the Pension Plan to you, and will also be pleased to discuss any aspects of the report with you after you have had a chance to review it.

Respectfully submitted,

A handwritten signature in black ink, which appears to read "Tom Vicente". The signature is written in a cursive style and is positioned above a horizontal line.

Tom Vicente, F.S.A., E.A.
Vice President
Enrollment #05-5043

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PHILADELPHIA GAS WORKS PENSION PLAN

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PHILADELPHIA GAS WORKS PENSION PLAN

A. Comparative Summary of Principal Valuation Results

		<i>Actuarial Valuation for Plan Year Beginning</i>		
1.	<u>Participant Data</u>	<u>September 1, 2005</u>	<u>September 1, 2003</u>	<u>Percent Change</u>
	Active Participants	1,701	1,738	(2.2)
	Retired Participants	1,908	1,969	(3.1)
	Vested Terminated Participants	<u>279</u>	<u>188</u>	48.4
	Total	3,888	3,895	(0.2)
	Total Payroll	\$ 99,963,495	\$ 97,492,590	2.5
	Average Pay	\$ 58,767	\$ 56,095	4.8
	Average Age	45.51	44.59	2.1
	Average Past Service	19.09	17.39	9.8
2.	<u>Contribution Range</u>			
	Normal Cost (<i>Exhibit D</i>)	\$ 7,616,520	\$ 6,980,000	9.1
	Indicated Midyear -			
	10 Year Contribution (<i>Exhibit E</i>)	\$ 17,694,332	\$ 17,562,000	0.8
	20 Year Contribution (<i>Exhibit E</i>)	\$ 14,652,156	\$ 14,355,000	2.1
	20 Year Contribution as Percentage of Compensation	14.66%	14.72%	15.6
3.	<u>Liabilities</u>			
	Unfunded Accrued Actuarial Liability (<i>Exhibit D</i>)	\$ 67,348,785	\$ 71,005,935	(5.2)
	Present Value of Vested Benefits (<i>Exhibit F</i>)	\$ 393,920,071	\$ 360,186,000	9.4
	Present Value of Accumulated Benefits (<i>Exhibit F</i>)	\$ 410,077,812	\$ 374,477,000	9.5
4.	<u>Assets</u>			
	Actuarial Asset Value (<i>Exhibit D</i>)	\$ 383,517,337	\$ 356,000,000	7.7

PHILADELPHIA GAS WORKS PENSION PLAN

B. Discussion

Since the last actuarial valuation performed as of September 1, 2003, the demographics of the plan participants has changed as follows:

- There are slightly fewer plan participants (0.2%)
- Total payroll has increased 2.5%
- Average pay has increased 4.8%
- Average age of active plan participants has increased by almost one year.

As of September 1, 2005, the normal cost has increased 9.1% over the normal cost of September 1, 2003. During the same period, the unfunded accrued actuarial liability decreased 5.2%. The unfunded liability ranges have decreased primarily due to demographic gains offset by the change in mortality assumptions. We do not have sufficient data to analyze the asset performance for the last two years. We expect assets to earn 8.25% per year. During the past two years, the assets have increased by 7.7%. The actual earnings on the assets, the amount of company contributions, expenses, and benefit payments impact the actual fund growth.

The contribution ranges have increased slightly, primarily as a result of the aging work group. During the past two years there have been a significant number of new retirees, a large number elected early retirement. Most of these retirees were replaced with new employees but the average pay, age and past service is greater than two years ago. All of these factors contribute to increased costs of the plan.

Effective September 1, 2005 the mortality table used to determine liabilities and contributions was updated from the 1983 Group Annuity Mortality Table to the RP-2000 Mortality Table. Generally this new table assumes plan participants will live longer. This has the impact of increasing liabilities. Due to this change the unfunded accrued actuarial liability increased \$3,394,000 (less than 1%) and the normal cost by \$149,000.

PHILADELPHIA GAS WORKS PENSION PLAN

C. Financial Summary

<u>Assets</u>	<u>September 30, 2005</u>	<u>September 30, 2003</u>
Retirement reserve reported by the City of Philadelphia	\$383,517,337	\$356,000,000

Note: Aon Consulting was not asked to reconcile asset transactions.

PHILADELPHIA GAS WORKS PENSION PLAN

D. Summary of Valuation Results

	<u>Retired</u>	<u>Vested Terminated</u>	<u>Active</u>	<u>Total</u>
1. Number of Participants Included in the Valuation	1,908	279	1,701	3,888
2. Projected Annual Benefits	\$ 31,035,149	\$ 3,015,617	\$ 105,409,125	\$ 139,459,891
3. Present Value of Projected Benefits at September 1, 2005	\$ 270,343,332	\$ 7,264,852	\$ 250,015,161	\$ 527,623,345
4. Present Value of Future Normal Costs	\$	\$	\$ 76,757,223	\$ 76,757,223
5. Accrued Actuarial Liability as of September 1, 2005: (3)-(4)	\$ 270,343,332	\$ 7,264,852	\$ 173,257,938	\$ 450,866,122
6. Actuarial Asset Value				\$ 383,517,337
7. Unfunded Accrued Actuarial Liability: (5)-(6)				\$ 67,348,785
8. Normal Cost Payable on September 1, 2005				\$ 7,616,520

PHILADELPHIA GAS WORKS PENSION PLAN

E. Contribution Levels

Ten Year Amortization

1. Contribution for Normal Cost						\$7,616,520
2. Amortization Schedule						
			<i>Unfunded Accrued</i>			
			<i>Actuarial</i>			
			<i>Liability</i>			
					<i>Annual Payment</i>	
	<i>Effective Date</i>	<i>Amortization Period</i>	<i>Initial Amount</i>			
	9/1/2005	10	\$67,348,785	\$67,348,785	\$9,376,836	\$9,376,836
3. Contributions September 1, 2005: (1) + (2)						\$16,993,356
4. Contributions Mid-year (3) x 1.04125						\$17,694,332
5. Contributions August 31, 2006: (3) x 1.0825						\$18,395,308

Twenty Year Amortization

1. Contribution for Normal Cost						\$7,616,520
2. Amortization Schedule						
				<i>Unfunded Accrued</i>		
				<i>Actuarial</i>		
				<i>Liability</i>		
					<i>Annual Payment</i>	
	<i>Effective Date</i>	<i>Amortization Period</i>	<i>Initial Amount</i>			
	9/1/2005	20	\$67,348,785	\$67,348,785	\$6,455,179	\$6,455,179
3. Contributions September 1, 2005: (1) + (2)						\$14,071,699
4. Contributions Mid-year (3) x 1.04125						\$14,652,156
5. Contributions August 31, 2006: (3) x 1.0825						\$15,232,614

PHILADELPHIA GAS WORKS PENSION PLAN

**F. Actuarial Present Value of Accumulated Benefits Determined
Pursuant to Financial Accounting Standards No. 35**

	<u>September 1, 2005</u>	<u>September 1, 2003</u>
1. Actuarial Present Value of Accumulated Vested Benefits		
a. Participants currently receiving benefits	\$ 270,343,332	\$ 265,154,000
b. Vested terminated participants	\$ 7,264,852	\$ 4,432,000
c. Active participants	\$ <u>116,311,887</u>	\$ <u>90,600,000</u>
d. Total	\$ 393,920,071	\$ 360,186,000
2. Actuarial Present Value of Accumulated Non-Vested Benefits	\$ 16,157,741	\$ 14,291,000
3. Total Actuarial Present Value of Accumulated Plan Benefits: (1d)+(2)	\$ 410,077,812	\$ 374,477,000
4. Net Assets Available for Benefits (Actuarial Value, Exhibit C)	\$ 383,517,337	\$ 356,000,000
5. Excess (deficiency) of Net Assets Available for Benefits over (under) Actuarial Present Value of Accumulated Plan Benefits: (4)-(3)	\$ (26,560,475)	\$ (18,477,000)
6. Number of Active Participants 100% Vested	1,338	1,365
Number of Active Participants Partially Vested	0	0
Number of Active Participants Non-Vested	363	373

PHILADELPHIA GAS WORKS PENSION PLAN

G. Estimated 10-Year Benefit Pay-Out Projections

<i><u>Plan Year Beginning September 1</u></i>	<i><u>Expected Annual Benefit Pay-Out During Plan Year</u></i>
2005	\$32,654,000
2006	33,118,000
2007	33,607,000
2008	34,375,000
2009	35,332,000
2010	36,311,000
2011	37,500,000
2012	39,032,000
2013	40,494,000
2014	42,388,000

Note: The above projected pay-outs recognize expected mortality, termination, and incidence of disability and assume all benefits will commence at Normal Retirement Date. No assumption has been made regarding possible retirements prior to Assumed Retirement Date or anticipation of new entrants.

PHILADELPHIA GAS WORKS PENSION PLAN

H. Distribution of Inactive Participants by Age and Years of Retirement

1. Retirees

<i>Years of Retirement as of September 1, 2005</i>									
<i>Age</i>	<i>0-4</i>	<i>5-9</i>	<i>10-14</i>	<i>15-19</i>	<i>20-24</i>	<i>25+</i>	<i>Total</i>	<i>Annual Benefits</i>	
								<i>Total</i>	<i>Average</i>
<i>15-44</i>	<i>5</i>	<i>0</i>	<i>0</i>	<i>1</i>	<i>0</i>	<i>0</i>	<i>6</i>	<i>\$ 90,525</i>	<i>\$15,088</i>
<i>45-49</i>	<i>16</i>	<i>4</i>	<i>1</i>	<i>0</i>	<i>2</i>	<i>0</i>	<i>23</i>	<i>425,432</i>	<i>18,497</i>
<i>50-54</i>	<i>99</i>	<i>17</i>	<i>6</i>	<i>0</i>	<i>0</i>	<i>1</i>	<i>123</i>	<i>2,887,040</i>	<i>23,472</i>
<i>55-59</i>	<i>143</i>	<i>37</i>	<i>35</i>	<i>3</i>	<i>1</i>	<i>0</i>	<i>219</i>	<i>4,730,775</i>	<i>21,602</i>
<i>60-64</i>	<i>64</i>	<i>42</i>	<i>99</i>	<i>1</i>	<i>1</i>	<i>0</i>	<i>207</i>	<i>4,307,730</i>	<i>20,810</i>
<i>65-69</i>	<i>36</i>	<i>45</i>	<i>124</i>	<i>7</i>	<i>5</i>	<i>2</i>	<i>219</i>	<i>4,577,414</i>	<i>20,901</i>
<i>70-74</i>	<i>13</i>	<i>48</i>	<i>109</i>	<i>83</i>	<i>13</i>	<i>8</i>	<i>274</i>	<i>4,439,566</i>	<i>16,203</i>
<i>75-79</i>	<i>14</i>	<i>31</i>	<i>80</i>	<i>172</i>	<i>27</i>	<i>24</i>	<i>348</i>	<i>4,988,830</i>	<i>14,336</i>
<i>80-84</i>	<i>14</i>	<i>37</i>	<i>20</i>	<i>108</i>	<i>99</i>	<i>37</i>	<i>315</i>	<i>3,310,269</i>	<i>10,509</i>
<i>85-89</i>	<i>4</i>	<i>7</i>	<i>10</i>	<i>10</i>	<i>58</i>	<i>43</i>	<i>126</i>	<i>991,477</i>	<i>7,869</i>
<i>90+</i>	<i>1</i>	<i>2</i>	<i>4</i>	<i>4</i>	<i>3</i>	<i>33</i>	<i>48</i>	<i>286,091</i>	<i>5,960</i>
<i>Total</i>	<i>409</i>	<i>270</i>	<i>483</i>	<i>389</i>	<i>209</i>	<i>148</i>	<i>1,908</i>	<i>\$31,035,149</i>	<i>\$16,266</i>
<i>Average Age: 71.07 Average Retirement Years: 12.20</i>									

2. Vested Terminated

<i>Age</i>	<i>Number</i>	<i>Annual Benefit</i>	
		<i>Total</i>	<i>Average</i>
<i>15-44</i>	<i>99</i>	<i>\$ 988,978</i>	<i>\$ 9,990</i>
<i>45-49</i>	<i>78</i>	<i>974,064</i>	<i>12,488</i>
<i>50-54</i>	<i>63</i>	<i>640,787</i>	<i>10,171</i>
<i>55-59</i>	<i>34</i>	<i>352,487</i>	<i>10,367</i>
<i>60-64</i>	<i>5</i>	<i>59,301</i>	<i>11,860</i>
<i>Total</i>	<i>279</i>	<i>\$3,015,617</i>	<i>\$ 10,809</i>

PHILADELPHIA GAS WORKS PENSION PLAN

I. Distribution of Active Participants by Age and Service
(Showing Number of Employees & Average Earnings)

<i>Completed Years of Service as of September 1, 2005</i>													
<i>Age</i>	<i>00-00</i>	<i>1-4</i>	<i>5-9</i>	<i>10-14</i>	<i>15-19</i>	<i>20-24</i>	<i>25-29</i>	<i>30-34</i>	<i>35-39</i>	<i>40+</i>	<i>Total</i>	<i>Earnings</i>	
												<i>Total</i>	<i>Average</i>
15-19	0	0	0	0	0	0	0	0	0	0	0	\$ 0	\$ 0
20-24	10 30047	48 39144	0	0	0	0	0	0	0	0	58 37576	2,179,387	37,576
25-29	7 33579	55 42617	1 24380	1 28376	0	0	0	0	0	0	64 41121	2,631,734	41,121
30-34	9 33731	48 48132	0	23 57250	0	0	0	0	0	0	80 49133	3,930,650	49,133
35-39	8 40872	42 47662	6 72255	39 59421	84 57604	11 60750	0	0	0	0	190 55719	10,586,686	55,719
40-44	2 23988	38 45162	7 67525	37 57379	133 59918	91 60922	14 55504	0	0	0	322 57919	18,649,806	57,919
45-49	2 38986	27 48604	7 66748	30 58413	99 59265	141 62320	154 68191	8 64290	0	0	468 62564	29,279,926	62,564
50-54	0	8 51598	5 109136	15 53202	48 58647	51 59090	101 64449	57 67499	2 70772	0	287 63009	18,083,505	63,009
55-59	3 34412	8 66382	9 86023	6 57406	20 52302	35 59686	46 60254	37 66706	13 69270	0	177 62307	11,028,317	62,307
60-64	1 35324	6 73777	4 138290	4 50490	5 47443	9 59307	6 58604	5 59276	7 64155	1 60469	48 65867	3,161,637	65,867
65-69	0	3 66287	0	0	0	1 72427	0	0	1 51437	0	5 64545	322,725	64,545
70+	0	0	0	0	1 50944	0	0	0	0	1 58177	2 54561	109,122	54,561
Total	42 34062	283 46462	39 83868	155 57306	390 58524	339 61086	321 65144	107 66601	23 67068	2 59323	1701 58767	99,963,495	58,767
<i>Average Age: 45.51</i>											<i>Average Service: 18.09</i>		

PHILADELPHIA GAS WORKS PENSION PLAN

J. Actuarial Methods and Assumptions

1. Cost Method

The cost method used is the Projected Unit Credit Cost method. Each year the projected benefits of each participant are estimated and their present value determined. The normal cost for each active participant is determined by dividing this present value by service from entry into the plan to assumed retirement age. The total normal cost is equal to the sum of individual normal costs.

The accrued actuarial liability for each active participant is equal to the normal cost multiplied by service since entry to valuation date. The accrued actuarial liability for inactive participants is equal to the present value of their benefits. The total accrued actuarial liability is equal to the sum of the individual accrued actuarial liabilities.

The Unfunded Accrued Actuarial Liability as of any date is equal to the accrued actuarial liability less the actuarial value of assets as of such date.

Each year actuarial gains and losses occur since actual experience under the Plan will vary from the actuarial assumptions. All gains and losses will be amortized in future years.

2. Asset Valuation Technique

The Actuarial Asset Value is equal to the value of fund assets as reported by the City of Philadelphia with no adjustments.

PHILADELPHIA GAS WORKS PENSION PLAN

J. Actuarial Methods and Assumptions (continued)

3. Actuarial Assumptions

(Unless otherwise specified, the same assumptions have been used for the determination of the Contribution Range and Accumulated Plan Benefits)

- a. Mortality: **Healthy Lives:** The RP-2000 Combined Healthy Male mortality table is used for males. Combined Healthy Female mortality table is used for females. Sample annual percentages are as follows:

<u>Percentage of Participants</u> <u>Expected to Die in the Next Year</u>					
<u>Age</u>	<u>Males</u>	<u>Females</u>	<u>Age</u>	<u>Males</u>	<u>Females</u>
20	.0345%	.0191%	45	.1508%	.1124%
25	.0376	.0207	50	.2138	.1676
30	.0444	.0264	55	.3624	.2717
35	.0773	.0475	60	.6747	.5055
40	.1079	.0706	65	1.2737	.9706

Disabled Lives: Disabled mortality rates are used for anticipated future disablements and current disabled lives. Sample percentages are as follows:

<u>Percentage of Participants Expected to</u> <u>Become Disabled in the Next Year</u>					
<u>Age</u>	<u>Males</u>	<u>Females</u>	<u>Age</u>	<u>Males</u>	<u>Females</u>
20	2.4583%	0.9650%	45	4.3033%	2.3988%
25	2.7457%	1.1974%	50	4.8004%	2.7961%
30	3.0661%	1.4843%	55	5.3120%	3.2594%
35	3.4184%	1.7654%	60	5.8118%	3.7993%
40	3.8373%	2.0579%	65	6.3669%	4.4287%

- b. Interest: 8.25%, compounded annually.

PHILADELPHIA GAS WORKS PENSION PLAN

J. Actuarial Methods and Assumptions

(continued)

- c. **Turnover:** A scale varying by age and service with illustrative annual rates of turnover as follows:

<i>Age</i>	<i>Years of Service</i>					
	<i>0</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>
20	23.2%	17.4%	14.4%	11.6%	8.8%	5.8%
25	18.8%	14.0%	11.8%	9.4%	7.0%	4.6%
30	14.8%	11.0%	9.2%	7.4%	5.6%	3.6%
35	11.2%	8.4%	7.0%	5.6%	4.2%	2.8%
40	8.8%	6.6%	5.6%	4.4%	3.4%	2.2%
45	7.2%	5.4%	4.6%	3.6%	2.8%	1.8%
50	5.2%	3.8%	3.2%	2.6%	2.0%	1.2%
55	0	0	0	0	0	0

- d. **Disability** A scale varying by age with illustrative annual rates of disability as follows:

Percentage of Participants Expected to Become Disabled in the Next Year

<i>Age</i>	<i>Percentage</i>
30	0.0600%
35	0.0700
40	0.1100
45	0.2200
50	0.4600
55	1.0200
60	1.6200

- e. **Salary Increase**

Determination of Contribution Range

Salaries are assumed to increase by an amount equal to 3% of the salary at the beginning of the next three years, then 4.25% of the salary at the beginning of the fourth and subsequent years.

Accumulated Plan Benefits

Past salaries are discounted at the same rate as described above. Future salaries are assumed to remain at the same level as on the valuation date.

PHILADELPHIA GAS WORKS PENSION PLAN

J. Actuarial Methods and Assumptions

(continued)

f. Retirement Age Retirements are assumed to occur at the following ages:

<u>Age</u>	<u>Percentage</u>
55-61	10%
62	100%

4. Change in Actuarial Assumptions

The mortality for males was changed from the GAM-83 Final Male (Corrected) mortality table to the RP-2000 Combined Healthy Male mortality table. The mortality for females was changed from the GAM-83 Final Male (Corrected) mortality table set back five years to the RP-2000 Combined Healthy Female mortality table.

PHILADELPHIA GAS WORKS PENSION PLAN

K. Summary of the Principal Plan Provisions

Any ambiguities or questionable provisions of this summary should be resolved by reference to the official Plan Document. This summary is not intended to be a source document, but merely an instrument of convenience for the administration of the Plan.

1. **Effective Date:** March 24, 1967, most recently amended as of January 1, 1999.
2. **Eligibility:** Full-time employees hired prior to March 24, 1967 who will have completed 15 years of Credited Service at normal retirement occurring prior to January 1, 1979 or 5 years Credited Service at normal retirement occurring on or after January 1, 1979 became participants on March 24, 1967. Employees hired on or after March 24, 1967 will become participants on their date of employment. A full-time employee is one who works regularly for 20 or more hours each week.
3. **Contribution:** Philadelphia Gas Works pays the entire cost of the Plan.
4. **Credited Service:** Years and months of service credited prior to March 24, 1967 and years and months of continuous service thereafter; continuous service is reduced for periods of approved unpaid leaves (except for military leave) in excess of one month. Layoff periods are also excluded and, if in excess of one year, when approved, the employee is considered terminated.
5. **Final Average Compensation:** Average of the five highest consecutive calendar years' earnings during the last 10 years of Credited Service. Compensation includes overtime, bonus, shift differential, and any other special compensation. Per the amendment approved on November 14, 1986, compensation includes amounts deferred under the PGW Employees' Deferred Compensation Plan.
6. **Retirement Dates**
 - a. **Normal Retirement:** First of the month next following attainment of age 65 and completion of 5 years of Credited Service.
 - b. **Early Retirement:** First of any month after attaining age 55 and completing 15 years of Credited Service, or after completing 30 years of credited service.
 - c. **Late Retirement:** First of any month after Normal Retirement up to age 70.
 - d. **Disability Retirement:** If permanently disabled and has attained age 45 and completed at least 15 years of Credited Service, provided age plus years of Credited Service equals at least 65. Or after completion of at least 20 years of Credited Service regardless of age, upon recommendation of the Medical Director of the Company.
7. **Benefit Formula**
 - a. **Normal Retirement:** The monthly equivalent of the greater of (i) or (ii) below, payable for life.
 - (i) 1.25% of the first \$6,600 of Final Average Earnings plus 1.75% of the excess of Final Average Earnings over \$6,600, times Credited Service; maximum of 60% of the highest annual earnings during any one of the last 10 years of Credited Service; applicable to all participants.

PHILADELPHIA GAS WORKS PENSION PLAN

K. Summary of the Principal Plan Provisions

(continued)

- (ii) 2% of total earnings received during period of Credited Service plus 22.5% of the first \$1,200 of such amount; applicable only to participants who were employees on or prior to March 24, 1967.
 - b. Early Retirement: Same as 7(a) above, based upon Final Average Earnings and Credited Service as of the early retirement date and reduced by the percentage described in 8 below depending upon Credited Service as of the early retirement date.
 - c. Late Retirement: Same as Normal Retirement Benefit based on Final Average Compensation and Credited Service as of Late Retirement Date.
 - d. Disability Retirement: Same as Normal Retirement Benefit, based on Final Average Compensation and Credited Service as of date of disability.
8. Benefits Upon Termination of Employment - Vesting: All participants who terminate after having completed at least 10 years of Credited Service are entitled to a benefit as described in 7(a) above, based upon Final Average Compensation and Credited Service as of the date of termination.

Early Commencement of Payments: A former participant who is entitled to a deferred benefit may elect to have his benefit commence on the first day of any month between his 55th and 65th birthdays. Such benefit will be reduced by 3% for each of the first 5 years and 5% for each of the next 5 years by which commencement of payments precedes age 65. If the participant has completed 25 years of Credited Service, his benefit will be unreduced for the first 3 years and reduced by 3% for each of the next 2 years and by 5% for the following 5 years by which commencement of payments precedes age 65.

If a participant has completed 30 or more years of credited service, payments are not reduced.

9. Death Benefits

- a. Before Retirement: Spouses of deceased active participants or of former participants are entitled to vested benefits, provided such participants died after having attained age 45 and completed at least 15 years of Credited Service and whose age plus years of Credited Service equals at least 65 years or who have completed at least 20 years of Credited Service regardless of age.

The benefit payable is an amount for the spouse's remaining lifetime equal to the amount the beneficiary of the participant would have received had the participant retired due to disability on the day preceding his death and elected the 100% Contingent Annuitant Option.

- b. After Retirement: None except as provided by election of an optional form.

10. Normal Form of Benefits: Life annuity

11. Optional Benefit Forms: 100%, 75%, or 50% Contingent Annuitant option, 75% or 50% Joint and Last Survivor option.

III. BALANCE SHEET AND OPERATING STATEMENT

III.A.22. Supply an exhibit showing an analysis, by functional accounts, of the charges by affiliates (Service Corporations, etc.) for services rendered included in the operating expenses of the filing company for the test year and for the 12-month period ended prior to the test year:

III.A.22.a. Supply a copy of contracts, if applicable.

III.A.22.b. Explain the nature of the services provided.

III.A.22.c. Explain basis on which charges are made.

III.A.22.d. If charges allocated, identify allocation factors used.

III.A.22.e. Supply the components and amounts comprising the expense in this account.

III.A.22.f. Provide details of initial source of charge and reason thereof.

RESPONSE: Not applicable.

Philadelphia Gas Works' Base Rate Filing

III. BALANCE SHEET AND OPERATING STATEMENT

III.A.23. Describe costs relative to leasing equipment, computer rentals, and office space, including terms and conditions of the lease. State method for calculating monthly or annual payments.

RESPONSE:

The Philadelphia Gas Works has leasing arrangements with various companies for the leasing of office and computer equipment, vehicles, mobile equipment, and other types of equipment. Listed below are the long term leases with an explanation of the method used for calculating the monthly or annual payments.

	<u>Annual Payment</u>
<u>Amquip Corporation</u>	\$20,459.01
Under this agreement, the Philadelphia Gas Works procured short term rental of various types of mobile equipment such as cranes, dump trucks, grad alls, and backhoes/loaders as needed for use in its operations. The rental of each unit typically ranges from one week to six months; however, the contract has a term of two years. The weekly and monthly payments are based on a predetermined rental rate and remain constant throughout the term of the lease agreement.	
<u>Air Gas East</u>	\$16,382.07
Under this agreement, the Philadelphia Gas Works rents or leases gas cylinders for use in its operations. The lease schedule has a term of three years. The monthly payments are based on a predetermined rental rate and remain constant throughout the term of the lease agreement.	
<u>Cannon Financial Services</u>	\$14,694.00
Under this agreement, the Philadelphia Gas Works leases copy machines including meter usage and print charges for use in its operations. The lease schedule has a term of three years. The monthly rental payments and quarterly meter charges are based on a predetermined rate and remain constant throughout the term of the lease agreement.	
<u>CMI, INC.</u>	\$2,594.13
Under this agreement, the Philadelphia Gas Works leases alcohol testing equipment for use in its operations. The lease schedule has a term of two years. The monthly payments are based on a predetermined lease factor and remain constant throughout the lease term.	
<u>De Lage Laden Financial</u>	\$7,849.85
Under this agreement, the Philadelphia Gas Works leased mobile lifting equipment for use in its operations. Since the inception of the lease agreement, the organization has exercised its option to purchase the equipment. The lease schedule had a term of four years.	

Philadelphia Gas Works' Base Rate Filing

III. BALANCE SHEET AND OPERATING STATEMENT

Eastern Lift Truck Co.

\$6,421.00

Under this agreement, the Philadelphia Gas Works procured short term rental and transport of forklifts as needed for use in its operations. The rental of each unit typically ranged from one to six months; however, the contract has a term of three years. The monthly payments are based on a predetermined rental rate and remain constant throughout the term of the lease agreement.

Edward Kurth & Sons, Inc.

\$17,316.69

Under this agreement, the Philadelphia Gas Works procured short term rental and transport of a steam generator for use in its operations. The lease schedule has a term of six months. The monthly payments are based on a predetermined lease factor and remain constant throughout the lease term.

Enterprise Rent A Car

\$12,493.65

Under this agreement, the Philadelphia Gas Works procured short term rentals of cars and light duty pickup trucks as needed for use in its operations. The rental of each unit typically ranged from one week to six months; however, the contract has a term of three years. The monthly payments are based on a predetermined rental rate and remain constant throughout the term of the lease agreement.

Express Car & Truck Rental

\$32,977.59

Under this agreement, the Philadelphia Gas Works procured short term rentals of cars and light duty pickup trucks as needed for use in its operations. The rental of each unit typically ranged from one week to six months; however, the contract has a term of two years. The monthly payments are based on a predetermined rental rate and remain constant throughout the term of the lease agreement.

Godwin Pumps

\$11,181.00

Under this agreement, the Philadelphia Gas Works procured rental of a four inch and six inch water discharge pump as needed for use in its operations. The rental of each unit typically ranged from one week to four weeks; however, the contract has a term of one year. The monthly payments are based on a predetermined rental rate and remain constant throughout the term of the lease agreement.

Greater Bay Capital

\$6,889.57

Under this agreement, the Philadelphia Gas Works procured short term rental and transport of forklifts as needed for use in its operations. The contract has a term of three years with a buyout option. The monthly payments are based on a predetermined rental rate and remain constant throughout the term of the lease agreement.

Philadelphia Gas Works' Base Rate Filing

III. BALANCE SHEET AND OPERATING STATEMENT

Information Leasing Corporation \$55,957.58

Under this agreement, the Philadelphia Gas Works leases office technology equipment for use in its operation. The lease schedule has a term of four years. The monthly payments are based on a predetermined rental rate and remain constant throughout the term of the lease agreement.

OCE Imagistics Inc. \$178,947.84

Under this agreement, the Philadelphia Gas Works leases office technology equipment, multi-functional copier/printer/fax machine/scanner, for use in its operation. The lease schedule has a term of four years. The monthly payments are based on a predetermined rental rate and remain constant throughout the term of the lease agreement.

Pitney Bowes \$12,975.49

Under this agreement, the Philadelphia Gas Works leases two mailing systems for use in its operation. The lease schedule has a term of two years. The monthly and quarterly payments are based on a predetermined rental rate and remain constant throughout the term of the lease agreement.

Soft Tech Financial \$54,000.00

Under this agreement the Philadelphia Gas Works leases information technology equipment for use in its operation. The lease schedule has a term of four years. The monthly payments are based on a predetermined lease rate and remain constant throughout the term of the contract agreement.

United Rentals \$14,906.48

Under this agreement, the Philadelphia Gas Works procured short term rental and transport of man and scissor lifts as needed for use in its operations. The rental of each unit typically ranged from one to four weeks; however, the contract has a term of two years. The monthly payments are based on a predetermined rental rate and remain constant throughout the term of the lease agreement.

Xerox Corporation \$46,807.90

Under this agreement, the Philadelphia Gas Works leases Xerox office technology equipment and supplies including meter usage and print charges for use in its operation. The lease schedule has a term of two years. The monthly rental payments and quarterly meter charges are based on a predetermined rental rate and remain constant throughout the term of the lease agreement.

Philadelphia Gas Works' Base Rate Filing

III. BALANCE SHEET AND OPERATING STATEMENT

The Philadelphia Gas Works has leasing arrangements with various companies for the leasing of parking space and pipeline right of way passage.

Septa **\$2,584.00**
Under this agreement the Philadelphia Gas Works leases parking space and pipeline right of way passage.

Charles Weiner **\$2,700.00**
Under this agreement the Philadelphia Gas Works leases parking space for the district offices.

Renaissance Parking **\$4,620.00**
Under this agreement the Philadelphia Gas Works leases parking space for the district offices and other official business conducted within Center City Philadelphia.

The Philadelphia Gas Works has leasing arrangements with various companies for the leasing of office space.

Department of Public Property **\$43,914.09**
Under this agreement the Philadelphia Gas Works leases office space at One Parkway Building; 1515 Arch Street, 9th floor; Philadelphia PA 19102 for use in its operation.

Belmont Management Corporation **\$36,000.00**
Under this agreement the Philadelphia Gas Works leases office space at 4410 Frankford Avenue, Philadelphia, Pa 19124 for use in its operation.

GGHDC Legend Management Co. **\$67,558.71**
Under this agreement the Philadelphia Gas Works leases office space at 210 West Cheltenham Avenue, Philadelphia PA 19144 for use in its operation.

Girard Estate **\$148,055.40**
Under this agreement the Philadelphia Gas Works leases office space at 1137 Chestnut Street, Philadelphia PA 19107 for use in its operation.

Philadelphia Gas Works' Base Rate Filing

III. BALANCE SHEET AND OPERATING STATEMENT

III.A.24. Submit detailed calculations (or best estimates) of the cost resulting from major storm damage.

RESPONSE: None.

Philadelphia Gas Works' Base Rate Filing

III. BALANCE SHEET AND OPERATING STATEMENT

III.A.25. Submit details of expenditures for advertising (National and Institutional and Local media). Provide a schedule of advertising expense by major media categories for the test year and the prior two comparable years with respect to:

III.A.25.a. Public health and safety

III.A.25.b. Conservation of energy

III.A.25.c. Explanation of Billing Practices, Rates, etc.

III.A.25.d. Provision of factual and objective data programs in educational institutions

III.A.25.e. Other advertising programs

III.A.25.f. Total advertising expense

RESPONSE:

See the attached schedule, Exh.A -III.A.25.

PHILADELPHIA GAS WORKS
ADVERTISING SUMMARY

	<u>Period Ending</u> <u>08/31/2007</u>	<u>Period Ending</u> <u>08/31/2006</u>	<u>Period Ending</u> <u>08/31/2005</u>
NEWSPAPER			
a. Public Health & Safety	\$20,000	\$21,283	\$20,687
b. Conservation	45,502	189,989	48,711
c. Billing, Rates, Supply, etc.	163,938	153,442	336,978
d. Educational Institution Programs	0	0	0
e. Other Advertising Programs	<u>434,749</u>	<u>221,100</u>	<u>230,430</u>
Total Newspaper Advertising Expense	\$664,189	\$585,814	\$636,806
TELEVISION			
a. Public Health & Safety	\$0	\$0	\$0
b. Conservation	28,974	120,979	0
c. Billing, Rates, Supply, etc.	123,192	139,649	181,265
d. Educational Institution Programs	0	0	0
e. Other Advertising Programs	<u>54,447</u>	<u>28,729</u>	<u>14,475</u>
Total Television Advertising Expense	\$206,613	\$289,357	\$195,740
RADIO			
a. Public Health & Safety	\$0	\$0	\$0
b. Conservation	51,847	216,480	49,990
c. Billing, Rates, Supply, etc.	387,871	446,918	363,070
d. Educational Institution Programs	0	0	0
e. Other Advertising Programs	<u>21,102</u>	<u>5,755</u>	<u>138,434</u>
Total Radio Advertising Expense	\$460,819	\$669,153	\$551,494
MAGAZINES & MISCELLANEOUS			
a. Public Health & Safety	\$0	\$0	\$0
b. Conservation	0	0	0
c. Billing, Rates, Supply, etc.	0	0	0
d. Educational Institution Programs	0	0	0
e. Other Advertising Programs	<u>66,702</u>	<u>26,316</u>	<u>16,092</u>
Total Magazine & Miscellaneous Expense	\$66,702	\$26,316	\$16,092
BILL INSERT & BROCHURES			
a. Public Health & Safety	\$0	\$0	\$0
b. Conservation	28,676	119,735	0
c. Billing, Rates, Supply, etc.	0	0	0
d. Educational Institution Programs	0	0	0
e. Other Advertising Programs	<u>0</u>	<u>0</u>	<u>0</u>
Total Insert & Brochure Advertising Expense	\$28,676	\$119,735	\$0
GRAND TOTAL	<u><u>\$1,427,000</u></u>	<u><u>\$1,690,374</u></u>	<u><u>\$1,400,132</u></u>

Philadelphia Gas Works' Base Rate Filing

III. BALANCE SHEET AND OPERATING STATEMENT

III.A.26. Provide a list of reports, data, or statements requested by and submitted to the Commission during and subsequent to the test year.

RESPONSE:

Supplements to Gas Service Tariff – Quarterly 1307(D) filings

Supplement 10 – Effective September 1, 2005.

Supplement 11 – Effective October 7, 2005.

Supplement 13 – Effective June 1, 2006.

Supplement 14 – Effective September 1, 2006.

Supplement 15 – Effective December 1, 2006.

Gas Cost Rate – 2006-2007 1307(f) Filing

Exhibits supporting the PGC rate for the twelve months ended August 31, 2007, filed February 1, 2007.

Testimony, tariff sheets and additional exhibits supporting the PGC rate for the twelve months ended August 31, 2007, filed February 1, 2007.

Other Data

Pa. P.U.C. – 52 Pa. Code Section 56.231;
Monthly submission of residential delinquent statistics.

Pa. P.U.C. – 52 Pa. Code Section 59.81 – 50-84;
Annual Resource Planning report – IRP.

Annual report of PGW to the Pa. P.U.C.

Pa. P.U.C. – 52 Pa. Code Section 101;
Public Utility Preparedness through Self Certification Report

Pa. P.U.C. – 52 Pa. Code Section 62.33;
Findings of Annual Quality of Service Survey

Pa. P.U.C. – 52 Pa. Code Section 62.5;
Annual Universal Services Report

Philadelphia Gas Works' Base Rate Filing

III. BALANCE SHEET AND OPERATING STATEMENT

Pa. P.U.C. – 52 Pa. Code Section 58.15;
Annual LIURP Program Evaluation

Pa. P.U.C. – 52 Pa. Code Section 59.33;
Annual DOT Reports – form 2137 – 0522

Philadelphia Gas Works' Base Rate Filing

III. BALANCE SHEET AND OPERATING STATEMENT

III.A.27. Prepare a detailed schedule for the test year showing types of social and service organization memberships paid for by the Company and the cost thereof.

RESPONSE:

There were no social and/or service memberships paid during the test year by the Philadelphia Gas Works.

Philadelphia Gas Works' Base Rate Filing

III. BALANCE SHEET AND OPERATING STATEMENT

III.A.28. Submit a schedule showing, by major components, the expenditures associated with Outside Services Employed, Regulatory Commission Expenses and Miscellaneous General Expenses, for the test year and prior two comparable years.

RESPONSE:

See the attached schedule, Exh.A -III.A.28.

**PHILADELPHIA GAS WORKS
ACCOUNT 923.0 - OUTSIDE SERVICES EMPLOYEEED**

	<u>August 31, 2007</u>	<u>August 31, 2006</u>	<u>August 31, 2005</u>
100 Labor	\$0	\$209	\$0
300 Expense of Employees	0	422	0
700 Material	0	0	1,157
1700 Purchased Services	2,301,000	2,392,410	2,402,541
Total	<u>\$ 2,301,000</u>	<u>\$ 2,393,042</u>	<u>\$ 2,403,697</u>

ACCOUNT 928.0 - REGULATORY COMMISSION EXPENSE

	<u>August 31, 2007</u>	<u>August 31, 2006</u>	<u>August 31, 2005</u>
100 Labor	\$365,000	\$299,356	\$341,709
200 Taxes	28,000	21,398	24,415
300 Expense of Employees	3,000	100	1,044
700 Material	12,000	5,881	3,462
1300 Postage	1,000	1,050	800
1400 Advertising	35,000	8,129	26,295
1600 Dues and Subscriptions	2,453,000	2,392,831	2,086,091
1700 Purchased Services	708,000	615,695	859,957
1800 Insurance	50,000	42,947	43,886
1900 Equipment Rental	17,000	16,309	15,729
2000 Other Rents	50,000	47,906	51,898
2600 Maintenance of Office Equipment	2,000	1,315	1,468
2900 IT Allocations	35,000	27,942	22,000
3100 Telecommunication Allocations	4,000	4,021	4,413
4020 Amort Deferred Oper & Maint Expense	0	111,134	134,409
Total	<u>\$3,763,000</u>	<u>\$3,596,012</u>	<u>\$3,617,575</u>

ACCOUNT 930.2 - MISCELLANEOUS GENERAL EXPENSES

	<u>August 31, 2007</u>	<u>August 31, 2006</u>	<u>August 31, 2005</u>
100 Labor	\$0	\$0	\$0
300 Expense of Employees	25,000	46,805	22,732
700 Material	0	48	(16,414)
1300 Postage	5,000	72	11,274
1600 Dues and Subscriptions	585,000	571,058	550,578
1700 Purchased Services	0	2,668	26,055
2800 Engineering Service Allocations	0	0	6,742
3802 Management Fee	372,000	370,634	324,819
4020 Amort Deferred Oper & Maint Expense	0	1,086,695	1,086,695
5111 PGW Contribution-457 Deferred Comp. Pl:	355,000	339,417	334,557
Total	<u>\$ 1,342,000</u>	<u>\$ 2,417,398</u>	<u>\$ 2,347,037</u>

Philadelphia Gas Works' Base Rate Filing

III. BALANCE SHEET AND OPERATING STATEMENT

III.A.29. Submit details of information covering research and development expenditures, including major projects within the company and forecasted company programs.

RESPONSE:

PGW incurred expenditures of \$485,979 relating to the development of a LNG terminal during the period ending August 31, 2006. This project did not materialize.

There are currently no research and development expenditures expected to occur during the period ending August 31, 2007.

Philadelphia Gas Works' Base Rate Filing

III. BALANCE SHEET AND OPERATING STATEMENT

III.A.30. Provide a detailed schedule of all charitable and civic contributions by recipient and amount for the test year.

RESPONSE:

Twelve Months Ended August 31, 2007

Utility Emergency Service Fund	\$180,000
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Philadelphia Gas Works' Base Rate Filing

III. BALANCE SHEET AND OPERATING STATEMENT

III.A.31. Provide a detailed analysis of Special Services—Account 795.

RESPONSE: Not applicable.

The Philadelphia Gas Works' system of accounts does not include Account number 795 as Special Services.

Philadelphia Gas Works' Base Rate Filing

III. BALANCE SHEET AND OPERATING STATEMENT

III.A.32. Provide a detailed analysis of Miscellaneous General Expense—
Account No. 801.

RESPONSE: Not applicable.

The Philadelphia Gas Works' system of accounts does not include Account
number 801 as Miscellaneous General Expenses.

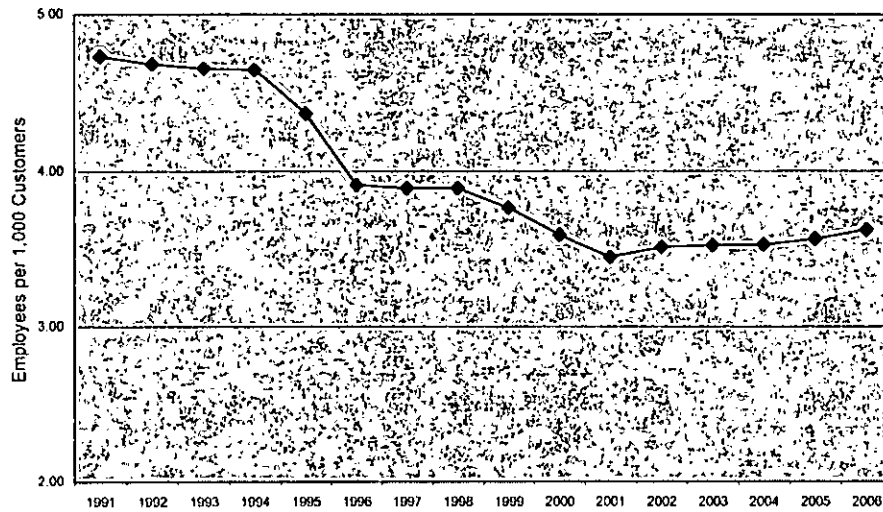
Philadelphia Gas Works' Base Rate Filing

III. BALANCE SHEET AND OPERATING STATEMENT

III.A.33. Provide a labor productivity schedule.

RESPONSE:

PHILADELPHIA GAS WORKS
LABOR PRODUCTIVITY SCHEDULE



Philadelphia Gas Works' Base Rate Filing

III. BALANCE SHEET AND OPERATING STATEMENT

III.A.34. List and explain all non-recurring abnormal or extraordinary expenses incurred in the test year which will not be present in future years.

RESPONSE:

PGW has no major expenses of a non-recurring nature in the test year.

Philadelphia Gas Works' Base Rate Filing

III. BALANCE SHEET AND OPERATING STATEMENT

III.A.35. List and explain all expenses included in the test year which do not occur yearly but are of a nature that they do occur over an extended period of years. (e.g.—Non-yearly maintenance programs, etc.)

RESPONSE: There are no expenses that fall into this category within the test year for the Philadelphia Gas Works.

Philadelphia Gas Works' Base Rate Filing

III. BALANCE SHEET AND OPERATING STATEMENT

III.A.36. Using the adjusted year's expenses under present rates as a base, give detail necessary for clarification of all expense adjustments. Give clarifying detail for any such adjustments that occur due to changes in accounting procedure, such as charging a particular expense to a different account than was used previously. Explain any extraordinary declines in expense due to such change of account use.

RESPONSE: There were no adjustments made to operating and maintenance expenses due to changes in accounting procedures.

Philadelphia Gas Works' Base Rate Filing

III. BALANCE SHEET AND OPERATING STATEMENT

III.A.37. Indicate the expenses that are recorded in the test year, which are due to the placement in operating service of major plant additions or the removal of major plant from operating service, and estimate the expense that will be incurred on a full-year's operation.

RESPONSE:

For PGW's fiscal year 2007 test year, \$3,200,000 of cost of removal expenses are included.

Philadelphia Gas Works' Base Rate Filing

III. BALANCE SHEET AND OPERATING STATEMENT

III.A.38. Submit a statement of past and anticipated changes, since the previous rate case, in major accounting procedures.

RESPONSE: None

Philadelphia Gas Works' Base Rate Filing

III. BALANCE SHEET AND OPERATING STATEMENT

III.A.39. Identify the specific witness for all statements and schedules of revenues, expenses, taxes, property, valuation, etc.

RESPONSE:

PGW Statement 1 – Steven P. Hershey

PGW Statement 2 – Joseph R. Bogdonavage

PGW Statement 3 – Barbara C. Bisgaier

PGW Statement 4 – Gary Krellenstein

PGW Statement 5 – Craig E. White

PGW Statement 6 – Randall Gyory

PGW Statement 7 – Cristina Coltro

PGW Statement 8 – Howard Gorman

Philadelphia Gas Works' Base Rate Filing

III. BALANCE SHEET AND OPERATING STATEMENT

III.A.40. Adjustments which are estimated shall be fully supported by basic information reasonably necessary.

RESPONSE:

See Mr. Bogdonavage's testimony, Exhibit JRB-1.

Philadelphia Gas Works' Base Rate Filing

III. BALANCE SHEET AND OPERATING STATEMENT

III.A.41. Submit a statement explaining the derivation of the amounts used for projecting future test year level of operations and submit appropriate schedules supporting the projected test year level of operations.

RESPONSE:

See Mr. Bogdonavage's testimony, Exhibit JRB-1.

Philadelphia Gas Works' Base Rate Filing

III. BALANCE SHEET AND OPERATING STATEMENT

III.A.42. If a company has separate operating divisions, an income statement must be shown for each division, plus an income statement for company as a whole.

RESPONSE: Not applicable.

Philadelphia Gas Works' Base Rate Filing

III. BALANCE SHEET AND OPERATING STATEMENT

III.A.43. If a company's business extends into different states or jurisdictions, then statements must be shown listing Pennsylvania jurisdictional data, other state data and federal data separately and jointly (Balance sheets and operating accounts).

RESPONSE: Not applicable.

Philadelphia Gas Works' Base Rate Filing

III. BALANCE SHEET AND OPERATING STATEMENT

III.A.44. Ratios, percentages, allocations and averages used in adjustments must be fully supported and identified as to source.

RESPONSE: Not applicable.

Philadelphia Gas Works' Base Rate Filing

III. BALANCE SHEET AND OPERATING STATEMENT

III.A.45. Provide an explanation of any differences between the basis or procedure used in allocations of revenues, expenses, depreciation and taxes in the current rate case and that used in the prior rate case.

RESPONSE: None

Philadelphia Gas Works' Base Rate Filing

III. BALANCE SHEET AND OPERATING STATEMENT

III.A.46. Supply a copy of internal and independent audit reports of the test year and prior calendar year, noting any exceptions and recommendations and disposition thereof.

RESPONSE: Internal audit reports have not been issued during the test year to date and prior calendar year. An independent audit report has not been issued for the calendar year prior to the test year (i.e. FY 2006 – FY ending 8/31/06). The independent audit report issued for FY 2005 is provided in response to II.A.3.

Philadelphia Gas Works' Base Rate Filing

III. BALANCE SHEET AND OPERATING STATEMENT

III.A.47—III.A.49

RESPONSE: Not applicable.

Philadelphia Gas Works' Base Rate Filing

III. BALANCE SHEET AND OPERATING STATEMENT

III.A.50. Provide a schedule of federal and Pennsylvania taxes, other than income taxes, calculated on the basis of test year per books, pro forma at present rates, and pro forma at proposed rates, to include the following categories:

- a. social security
- b. unemployment
- c. capital stock
- d. public utility realty
- e. P.U.C. assessment
- f. other property
- g. any other appropriate categories

RESPONSE:

- a. social security

PGW's Employer Share of Social Security and Medicare Taxes is as follows:

Fiscal Year Ended August 31, 2006	\$7,749,302.07
Budgeted for Fiscal Year Ending August 31, 2007	\$7,876,964.00

- b. unemployment

PGW's Employer Pennsylvania Unemployment Tax Reimbursable is as follows:

Fiscal Year Ended August 31, 2006	\$113,164.21
Budgeted for Fiscal Year Ending August 31, 2007	\$150,000.00

- c. capital stock – Not applicable
- d. public utility realty – Not applicable
- e. PUC Assessment – Not applicable
- f. other property – Not applicable
- g. any other appropriate categories – Not applicable

Philadelphia Gas Works' Base Rate Filing

III. BALANCE SHEET AND OPERATING STATEMENT

III.A.51—III.A.71

RESPONSE: Not applicable.

Philadelphia Gas Works' Base Rate Filing

III. BALANCE SHEET AND OPERATING STATEMENT

III.E.1. If Unrecovered Fuel Cost policy is implemented, provide the following:

III.E.1.a. State manner in which amount of Unrecovered Fuel Cost on balance sheet at the end of the test year was determined, and the month in test year in which such fuel expense was actually incurred. Provide amount of adjustment made on the rate case operating account for test year-end unrecovered fuel cost. (If different than balance sheet amount, explain.)

III.E.1.b. Provide amount of Unrecovered Fuel Cost that appeared on the balance sheet at the opening date of the test year, and the manner in which it was determined. State whether this amount is in the test year operating account.

RESPONSE:

E.1.a.

No over/under collection of fuel costs for the period September 2006 through August 2007 are anticipated at the end of the test year.

E.1.b.

Accounts 186.0, 253.5 and 495.0

The portion of deferred over/under collection of fuel costs for the period September 2005 through August 2006 was \$17,924,605. This was the estimate used at the beginning of the test year.

Philadelphia Gas Works' Base Rate Filing

III. BALANCE SHEET AND OPERATING STATEMENT

III.E.2. Provide details of items and amounts comprising the accounting entries for Deferred Fuel Cost at the beginning and end of the test year.

RESPONSE:

See the attached schedule which supports the deferred fuel costs at the beginning of the test year: GCR Statement of Reconciliation for September 2005 - August 2006.

No over/under collection of fuel costs for the period September 2006 through August 2007 are anticipated at the end of the test year.

GCR

STATEMENT OF RECONCILIATION

SEPTEMBER 2005 THROUGH AUGUST 2006

		1	2	3 = (1 + 2)	4	5	6 = (4 * 5)	7 = (3 - 6)	8	9	10 = (9 - 7)	11	12
		D	D	D	MCF	D	D	D	D	D	D	D	D
		1	2	3 = (1 + 2)	4	5	6 = (4 * 5)	7 = (3 - 6)	8	9	10 = (9 - 7)	11	12
2004-2005 OVER-COLLECTION													21,368,705
2004-2005 INTEREST													121,542
TOTAL "E" FACTOR													21,490,247
SEPTEMBER 2005	Actual	4,933,065	14,221,239	19,154,304	1,324,674	0.1839	243,608	18,910,696	9.3527	12,315,821	(6,594,875)	51,344	14,946,715
OCTOBER	Actual	5,022,174	33,925,218	38,947,392	1,464,380	0.1957	285,579	38,660,813	10.6274	15,702,656	(22,958,157)	0	(8,011,442)
NOVEMBER	Actual	5,715,023	57,452,866	63,167,889	3,381,901	0.1960	662,853	62,505,038	12.5632	42,217,575	(20,287,461)	16	(28,298,887)
DECEMBER	Actual	5,626,600	119,971,894	125,598,494	7,388,559	0.1960	1,448,158	124,150,336	12.5632	92,795,057	(31,355,279)	0	(59,654,187)
JANUARY 2006	Actual	5,647,084	91,224,466	96,871,550	8,217,693	0.1960	1,610,668	95,260,882	12.5632	103,216,744	7,955,862	188,078	(51,512,229)
FEBRUARY	Actual	5,521,297	86,886,617	92,407,914	7,692,045	0.1960	1,507,641	90,900,273	12.5632	96,588,479	5,688,206	0	(45,824,022)
MARCH	Actual	5,353,913	67,271,252	72,625,165	7,273,912	0.1960	1,425,687	71,199,478	12.5632	91,370,401	20,170,923	0	(25,653,098)
APRIL	Estimated	5,126,028	31,555,066	36,681,092	5,004,866	0.1960	980,954	35,700,138	12.5632	62,077,128	27,176,989	0	1,523,891
MAY	Estimated	5,077,902	15,730,603	20,808,505	2,400,858	0.1960	470,588	20,337,937	12.5632	30,162,455	9,824,519	0	11,348,410
JUNE	Estimated	5,097,226	9,804,551	14,901,777	1,575,755	0.1960	308,848	14,592,929	12.5632	19,796,521	5,203,592	0	16,552,002
JULY	Estimated	5,077,902	10,562,928	15,640,830	1,303,399	0.1960	255,466	15,385,364	12.5632	18,374,859	989,495	0	17,541,497
AUGUST	Estimated	5,077,105	10,413,859	15,490,764	1,244,112	0.1960	243,846	15,246,918	12.5632	15,630,025	383,107	0	17,924,605
Total		63,275,317	549,020,359	612,295,676	48,272,154		9,444,876	602,850,802		599,047,722	(3,803,080)	237,436	17,924,605

RECONCILIATION OF DEMAND CHARGES

		1	2	3	4 = (2 * 3)	5	6	7 = (6 - 1)	8
		D	D	D	D	D	D	D	D
		1	2	3	4 = (2 * 3)	5	6	7 = (6 - 1)	8
SEPTEMBER 2005	Actual	4,933,065	1,324,674	1.1811	1,564,572	0.9941	1,555,298	(3,377,769)	(3,377,769)
OCTOBER	Actual	5,022,174	1,464,380	1.1819	1,730,755	1.0090	1,746,337	(3,275,837)	(6,653,606)
NOVEMBER	Actual	5,715,023	3,381,901	1.1838	4,003,494	0.9936	3,978,060	(1,736,963)	(8,390,569)
DECEMBER	Actual	5,626,600	7,388,559	1.1838	8,746,576	0.9997	8,743,854	3,117,254	(5,273,315)
JANUARY 2006	Actual	5,647,084	8,217,693	1.1838	9,728,108	0.9998	9,725,865	4,078,781	(1,194,534)
FEBRUARY	Actual	5,521,297	7,692,045	1.1838	9,105,843	0.9995	9,101,299	3,580,002	2,385,468
MARCH	Actual	5,353,913	7,273,912	1.1838	8,610,857	0.9999	8,609,612	3,255,699	5,641,167
APRIL	Estimated	5,126,026	5,004,866	1.1838	5,924,760	1.0000	5,924,760	798,734	6,439,901
MAY	Estimated	5,077,902	2,400,858	1.1838	2,842,135	1.0000	2,842,135	(2,235,767)	4,204,134
JUNE	Estimated	5,097,226	1,875,755	1.1838	1,865,378	1.0000	1,865,378	(3,231,848)	972,287
JULY	Estimated	5,077,902	1,303,399	1.1838	1,542,963	1.0000	1,542,963	(3,534,939)	(2,562,652)
AUGUST	Estimated	5,077,105	1,244,112	1.1838	1,472,780	1.0000	1,472,780	(3,604,325)	(6,166,977)
Total		63,275,317	48,272,153		57,138,221		57,108,340	(6,166,977)	(6,166,977)

GCR

STATEMENT OF RECONCILIATION

September 2006 - August 2007

		NET COST OF FUEL	FIRM SALES	IRC FACTOR APPLIED	INTERRUPTIBLE REVENUE CREDIT	GCR APPLICABLE EXPENSES	GCR FACTOR APPLIED	GCR REVENUE BILLED	OVER/(UNDER) RECOVERY	E FACTOR DISTRIBUTED ON GCR	CUMULATIVE OVER/(UNDER) RECOVERY
		1	2	3	4 = (2 * 3)	5 = (1 - 4)	6	7	8 = (7 - 5)	9	10
		\$	MCF	\$	\$	\$	\$	\$	\$	\$	\$
2005-2006 OVER-COLLECTION										17,924,605	
2006 INTEREST										<u>(954,161)</u>	
	TOTAL "E" FACTOR									16,970,444	
<u>2006-2007</u>											
September	Estimated	16,380,821	1,127,826	0.1428	161,022	16,219,799	11.7675	13,271,713	(2,948,085)	369,124	(2,578,962)
October	Estimated	29,921,323	1,778,276	0.1428	253,888	29,667,435	10.9532	19,477,810	(10,189,624)	582,008	(12,186,579)
November	Estimated	56,282,720	3,925,843	0.1428	560,500	55,722,220	10.9532	43,000,547	(12,721,673)	1,284,880	(23,623,372)
December	Estimated	92,773,677	6,715,593	0.1428	958,799	91,814,878	10.9532	73,557,232	(18,257,647)	2,197,930	(39,683,089)
January	Estimated	114,448,658	10,349,574	0.1428	1,477,629	112,971,029	10.9532	113,360,959	389,931	3,387,287	(35,905,871)
February	Estimated	92,508,448	9,296,159	0.1428	1,327,231	91,181,217	10.9532	101,822,689	10,641,472	3,042,517	(22,221,882)
March	Estimated	76,796,353	7,219,999	0.1428	1,030,814	75,765,540	10.9532	79,082,095	3,316,556	2,363,016	(16,542,310)
April	Estimated	39,951,186	4,935,714	0.1428	704,682	39,246,504	10.9532	54,061,859	14,815,355	1,615,398	(111,558)
May	Estimated	23,449,433	2,387,457	0.1428	340,862	23,108,571	10.9532	26,150,291	3,041,719	781,385	3,711,546
June	Estimated	16,597,380	1,575,108	0.1428	224,881	16,372,499	10.9532	17,252,470	879,971	515,513	5,107,030
July	Estimated	17,121,344	1,299,641	0.1428	185,552	16,935,791	10.9532	14,235,231	(2,700,561)	425,356	2,831,826
August	Estimated	<u>17,004,874</u>	<u>1,240,595</u>	0.1428	<u>177,122</u>	<u>16,827,752</u>	10.9532	<u>13,588,480</u>	<u>(3,239,272)</u>	<u>406,031</u>	(1,414)
TOTAL		593,236,216	51,851,785		7,402,983	585,833,234		568,861,376	(16,971,858)	16,970,444	(1,414)

Philadelphia Gas Works' Base Rate Filing

III. BALANCE SHEET AND OPERATING STATEMENT

III.E.3. *Submit a schedule showing a reconciliation of test year MCF sales and line losses. List all amounts of gas purchased, manufactured and transported.*

RESPONSE:

Please see attached.

115 Exh.A - III.E.3

CITY GATE REQUIREMENTS	DTS	MCF @1038 BTU
Sendout:		
Firm Customers	56,525,571	54,456,234
Co-Gen	17,031	16,408
BPS	2,369,093	2,282,363
LBS	<u>1,053,484</u>	<u>1,014,917</u>
Total Sendout	59,965,179	57,769,922
Plant Use*	777,463	749,001
Storage Injected	14,583,153	14,049,280
LNG Liquified	<u>2,171,938</u>	<u>2,092,426</u>
Total Required	77,497,733	74,660,629
CITY GATE SOURCES		
Purchases	58,403,876	56,265,776
Storage Withdrawal	17,904,657	17,249,188
LNG Vaporization	<u>1,189,201</u>	<u>1,145,666</u>
Total Sources	77,497,734	74,660,630
Total Billed Sales		55,050,294
Company Use		702,062
Total Accounted For		55,752,356
Total Sendout		57,769,922
Line Loss (UAF) Volumes		2,017,566
Line Loss (UAF) %		0.035

* Plant use is the accumulated fuels for storage injection and withdrawals, LNG liquifaction and vaporization, and transportation fuel for storages without their own transport. It also contains the fuels needed to run the Richmond and the Passyunk plant.

Philadelphia Gas Works' Base Rate Filing

III. BALANCE SHEET AND OPERATING STATEMENT

III.E.4. Provide detailed calculations substantiating the adjustment to revenues for annualization of changes in number of customers and annualization of changes in volume sold for all customers for the test year.

III.E.4.a. Break down changes in number of customers by rate schedules.

III.E.4.b. If an annualization adjustment for changes in customers and changes in volume sold is not submitted, please explain.

RESPONSE:

There are not any adjustments to revenues in the test year for annualization of changes in number of customers and annualization of changes in volume sold. Please see attached proof of revenue.

Philadelphia Gas Works
 Class Cost of Service Study - 2006
 Tariff Revenue at Current Rates

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	Test Year 2007			Current PUC Approved Tariff Rates					Amounts in \$000s					Total Full Tariff Revenue
	No. of Customers	No. of Annual Bills	Annual Sales (mcf)	Monthly Cust. Charge	GCR Charge	Univ. Service Charge	Restr. and Cons. Educ. Charge	Delivery Charge	Cust. Charge Revenue	GCR Charge Revenue	Unive. Service Charge Revenue	Restr. and Cons. Educ. Charge Revenue	Delivery Charge Revenue	
7 Non-Heating:														
8 Residential	47,922	575,067	1,387,356	\$12.00	\$10.9709	\$2.5387	\$0.0655	\$4.2124	6,901	15,221	3,522	91	5,844	31,578
9 Residential-Senior	3,322	39,868	74,732	\$12.00	\$10.9709	\$2.5387	\$0.0655	\$4.2124	478	820	190	5	315	1,808
10 Commercial	5,604	67,247	1,705,062	\$18.00	\$10.9709	\$2.5387	\$0.0655	\$4.3056	1,210	18,706	4,329	112	7,341	31,698
11 Industrial	254	3,048	345,261	\$50.00	\$10.9709	\$2.5387	\$0.0655	\$4.3029	152	3,788	877	23	1,486	6,325
12 Municipal/MS	335	4,020	262,687	\$18.00	\$10.9709	\$2.5387	\$0.0655	\$3.1470	72	2,882	667	17	827	4,465
13 NGV	1	12	367	\$35.00	\$10.9709	\$2.5387	\$0.0655		0	4	1	0	0	5
14 Total Non-Heat Firm	57,439	689,262	3,775,465						8,815	41,420	9,585	247	15,813	75,880
15														
16 Heating:														
17 Residential	369,201	4,430,417	32,855,506	\$12.00	\$10.9709	\$2.5387	\$0.0655	\$4.2124	53,165	360,455	83,410	2,152	138,401	637,583
18 Residential-Senior	45,232	542,788	4,151,233	\$12.00	\$10.9709	\$2.5387	\$0.0655	\$4.2124	6,513	45,543	10,539	272	17,487	80,354
19 Commercial	19,431	233,177	8,498,417	\$18.00	\$10.9709	\$2.5387	\$0.0655	\$4.3056	4,197	93,235	21,575	557	36,591	156,155
20 Industrial	606	7,271	734,898	\$50.00	\$10.9709	\$2.5387	\$0.0655	\$4.3029	364	8,063	1,866	48	3,162	13,502
21 Municipal/MS	557	6,682	1,006,599	\$18.00	\$10.9709	\$2.5387	\$0.0655	\$3.1470	120	11,043	2,555	66	3,168	16,953
22 PHA Rate 8	780	9,354	548,297	\$18.00	\$10.9709	\$2.5387	\$0.0655	\$4.2952	168	6,015	1,392	36	2,355	9,967
23 PHA/GS	2,577	30,924	270,534	\$12.00	\$10.9709	\$2.5387	\$0.0655	\$4.2124	371	2,968	687	18	1,140	5,183
24 PHA/GS- Senior	101	1,212	10,840	\$12.00	\$10.9709	\$2.5387	\$0.0655	\$4.2124	15	119	28	1	46	207
25 Total HeatFirm	438,485	5,261,825	48,076,324						64,913	527,441	122,051	3,149	202,348	919,903
26														
27 Total Heating & Non-Heating Firm	495,924	5,951,087	51,851,789						73,728	568,861	131,636	3,396	218,161	995,783
28														
29														
30 Interruptible:														
31 BPS, SMALL	113	1,354	162,977	\$35.00	\$15.6414				47				2,549	2,597
32 BPS, LARGE	162	1,944	1,930,441	\$75.00	\$13.5573				146				26,172	26,317
33 BPS, A/C	8	96	109,062	\$35.00	\$10.1585				3				1,108	1,111
34 LBS-S, INDIRECT	18	220	528,264	\$100.00	\$11.4126				22				6,029	6,051
35 LBS-L, INDIRECT	6	76	374,982	\$175.00	\$10.8689				13				4,076	4,089
36 LBS-L, DIRECT	1	12	20,547	\$175.00	\$10.6121				2				218	220
37 LBS-XL, DIRECT	2	24	2,281	\$250.00	\$10.4980				6				24	30
38 LBS-XL, INDIRECT	4	48	54,119	\$250.00	\$10.8419				12				587	599
39 CO-GEN	3	40	15,833	\$250.00	\$10.2449				10				162	172
40 Total Interruptible	318	3,814	3,198,506						262				40,924	41,186
41 Total PGW	495,242	5,954,901	55,050,295						73,990	568,861	131,636	3,396	259,085	1,036,969
42 GTS / IT Revenue														7,256
43 Rounding difference														(98)
44 Current Tariff Revenue at Full Tariff Rates:														1,044,127

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Philadelphia Gas Works
 Class Cost of Service Study - 2006
 Tariff Revenue at Company's Proposed Rates

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	Test Year 2007			Company's Proposed Tariff Rates				Amounts in \$000s				
	No. of Customers	No. of Annual Bills	Annual Sales (mcf)	Monthly Cust. Charge	GCR Charge	Univ. Service Charge	Delivery Charge	Cust. Charge Revenue	GCR Charge Revenue	Univ. Service Charge Revenue	Delivery Charge Revenue	Total Full Tariff Revenue
Non-Heating:												
Residential	47,922	575,067	1,387,356	\$12.00	\$10.9709	\$2.5387	\$6.0799	6,901	15,221	3,522	8,435	34,078
Residential-Senior	3,322	39,868	74,732	\$12.00	\$10.9709	\$2.5387	\$6.0799	478	820	190	454	1,942
Commercial	5,604	67,247	1,705,062	\$18.00	\$10.9709	\$2.5387	\$6.7944	1,210	18,706	4,329	11,585	35,830
Industrial	254	3,048	345,261	\$50.00	\$10.9709	\$2.5387	\$6.0749	152	3,788	877	2,097	6,914
Municipal/MS	335	4,020	262,687	\$18.00	\$10.9709	\$2.5387	\$4.9416	72	2,882	667	1,298	4,919
NGV	1	12	367	\$35.00	\$10.9709	\$2.5387	\$0.9254	0	4	1	0	6
Total Non-Heat Firm	57,439	689,262	3,775,465					8,815	41,420	9,585	23,870	83,690
Heating:												
Residential	369,201	4,430,417	32,855,506	\$12.00	\$10.9709	\$2.5387	\$6.0799	53,165	360,455	83,410	199,758	696,788
Residential-Senior	45,232	542,788	4,151,233	\$12.00	\$10.9709	\$2.5387	\$6.0799	6,513	45,543	10,539	25,239	87,834
Commercial	19,431	233,177	8,498,417	\$18.00	\$10.9709	\$2.5387	\$6.7944	4,197	93,235	21,575	57,742	176,749
Industrial	606	7,271	734,898	\$50.00	\$10.9709	\$2.5387	\$6.0749	364	8,063	1,866	4,464	14,756
Municipal/MS	557	6,682	1,006,599	\$18.00	\$10.9709	\$2.5387	\$4.9416	120	11,043	2,555	4,974	18,693
PHA Rate 8	780	9,354	548,297	\$18.00	\$10.9709	\$2.5387	\$6.6390	168	6,015	1,392	3,640	11,216
PHA/GS	2,577	30,924	270,534	\$12.00	\$10.9709	\$2.5387	\$6.0799	371	2,968	687	1,645	5,671
PHA/GS- Senior	101	1,212	10,840	\$12.00	\$10.9709	\$2.5387	\$6.0799	15	119	28	66	227
Total Heat Firm	438,485	5,261,825	48,076,324					64,913	527,441	122,051	297,528	1,011,934
Total Heating & Non-Heating Firm	495,924	5,951,087	51,851,789					73,728	568,861	131,636	321,399	1,095,624
Interruptible:												
BPS, SMALL	113	1,354	162,977	\$43.06	\$15.6414			58			2,549	2,607
BPS, LARGE	162	1,944	1,930,441	\$92.27	\$13.5573			179			26,172	26,351
BPS, A/C	8	96	109,062	\$43.06	\$10.1585			4			1,108	1,112
LBS-S, INDIRECT	18	220	528,264	\$123.02	\$11.4126			27			6,029	6,056
LBS-L, INDIRECT	6	76	374,982	\$215.29	\$10.8689			16			4,076	4,092
LBS-L, DIRECT	1	12	20,547	\$215.25	\$10.6121			3			218	221
LBS-XL, DIRECT	2	24	2,281	\$307.54	\$10.4980			7			24	31
LBS-XL, INDIRECT	4	48	54,119	\$307.56	\$10.8419			15			587	602
CO-GEN	3	40	15,833	\$307.55	\$10.2449			12			162	175
Total Interruptible	318	3,814	3,198,506					322			40,924	41,246
Total PGW	496,242	5,954,901	55,050,295					74,051	568,861	131,636	0	362,323
GTS / IT Revenue												7,256
Proposed Tariff Revenue at Full Tariff Rates												1,144,126

Philadelphia Gas Works' Base Rate Filing

III. BALANCE SHEET AND OPERATING STATEMENT

III.E.5. Submit a schedule showing the sources of gas supply associated with annualized MCF sales.

RESPONSE:

	Test Year MCF
Transco Spot	23,164,198
Transco Supplier # 2	1,770,908
Transco Supplier # 3	894,558
Transco Supplier # 7	7,557,489
Transco Supplier # 8	563,868
Transco Supplier # 10	6,234,083
Transco Supplier # 14	846,250
Tetco Spot	14,071,399
Tetco Supplier # 1	<u>1,163,023</u>
Total Delivered Volumes	56,265,776

Philadelphia Gas Works' Base Rate Filing

III. BALANCE SHEET AND OPERATING STATEMENT

III.E.6. Supply, by classification, *Operating Revenues—Miscellaneous* for test year.

RESPONSE:

OPERATING REVENUE
TWELVE MONTHS ENDED AUGUST 31, 2007

OPERATING REVENUES

SALES OF GAS	
480.0 Residential Sales	\$ 656,676,000
481.0 Commercial & Industrial Sales	248,455,000
482.0 Public Authority Sales	36,638,000
483.0 Sales for Resale	6,000
489.3 Gas Transportation Service Sales	7,256,000
495.0 Other Gas Revenues	(6,941,000)
Total Gas Revenues	<u>\$ 942,090,000</u>
OTHER OPERATING REVENUE	
487.0 Forfeited Discounts	\$ 17,746,000
488.0 Miscellaneous Service Revenue	286,000
	<u>\$ 18,032,000</u>
TOTAL OPERATING REVENUE	\$ 960,122,000

Philadelphia Gas Works' Base Rate Filing

III. BALANCE SHEET AND OPERATING STATEMENT

III.E.7. Provide details of respondent's attempts to recover uncollectible and delinquent accounts.

RESPONSE: Respondent's attempts to recover uncollectible and delinquent accounts are explained in detail in the testimony of Randall Gyory (PGW St. 6).

Philadelphia Gas Works' Base Rate Filing

III. BALANCE SHEET AND OPERATING STATEMENT

III.E.8. Describe how the *net* billing and *gross* billing is determined. For example, if the *net* billing is based on the rate blocks plus FCA and STA, and the *gross* billing is determined by a percentage increase (1, 3 or 5 percent), then state whether the percentage increase is being applied to all three items of revenue—rate blocks plus FCA and STA.

RESPONSE: Not applicable.

III. BALANCE SHEET AND OPERATING STATEMENT

III.E.9. Describe the procedures involved in determining whether forfeited discounts or penalties are applied to customer billing.

RESPONSE: The following are the tariff sections which apply finance charges and returned check fees to customer billings:

4.3. FINANCE CHARGE ON LATE PAYMENTS. PGW will assess a late penalty for any overdue bill, in an amount which does not exceed 1.5% interest per month on the full unpaid and overdue balance of the bill. These charges are to be calculated on the overdue portions of PGW Charges only. The interest rate, when annualized, may not exceed 18% simple interest per annum. Late Payment Charges will not be imposed on Disputed estimated bills, unless the estimated bill was required because utility personnel were unable to access the affected premises to obtain an Actual Meter Reading.

4.4. RETURNED CHECKS. Checks returned because the Customer did not have an account with the bank at the time the check was written or the bank refused payment on the check because of insufficient funds or a stop order shall not be deemed as having made a payment on the account. If a Customer who tenders a bad check does not cure that bad check within three business days of being notified by PGW, he/she will be required to make future payments by money order, bank check, credit card, or cash for a period of one year. A charge of \$20 will be assessed to the Customer's account by PGW when a check rendered in payment of a Customer's bill for PGW Charges is returned to PGW.

Philadelphia Gas Works' Base Rate Filing

III. BALANCE SHEET AND OPERATING STATEMENT

III.E.10. Provide annualization of revenues as a result of rate changes occurring during the test year, at the level of operations as of end of the test year.

RESPONSE:

There are not any rate changes occurring during the test year.

Philadelphia Gas Works' Base Rate Filing

III. BALANCE SHEET AND OPERATING STATEMENT

III.E.11. Provide a detailed billing analysis supporting present and proposed rates by customer classification and/or tariff rate schedule.

RESPONSE: Please see attached.

Philadelphia Gas Works
 Class Cost of Service Study - 2006
 Tariff Revenue at Current Rates

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Test Year 2007			Current PUC Approved Tariff Rates						Amounts in \$000s					Total Full Tariff Revenue
No. of Customers	No. of Annual Bills	Annual Sales (mcf)	Monthly Cust. Charge	GCR Charge	Univ. Service Charge	Restr. and Cons. Educ. Charge	Delivery Charge	Cust. Charge Revenue	GCR Charge Revenue	Univ. Service Charge Revenue	Restr. and Cons. Educ. Charge Revenue	Delivery Charge Revenue		
Non-Heating:														
Residential	47,922	575,067	1,387,356	\$12.00	\$10.9709	\$2.5387	\$0.0655	\$4.2124	6,901	15,221	3,522	91	5,844	31,578
Residential-Senior	3,322	39,868	74,732	\$12.00	\$10.9709	\$2.5387	\$0.0655	\$4.2124	478	820	190	5	315	1,808
Commercial	5,604	67,247	1,705,062	\$18.00	\$10.9709	\$2.5387	\$0.0655	\$4.3056	1,210	18,706	4,329	112	7,341	31,698
Industrial	254	3,048	345,261	\$50.00	\$10.9709	\$2.5387	\$0.0655	\$4.3029	152	3,788	877	23	1,486	6,325
Municipal/MS	335	4,020	262,687	\$18.00	\$10.9709	\$2.5387	\$0.0655	\$3.1470	72	2,882	667	17	827	4,465
NGV	1	12	367	\$35.00	\$10.9709	\$2.5387	\$0.0655		0	4	1	0	0	5
Total Non-Heat Firm	57,439	689,262	3,775,465						8,815	41,420	9,585	247	15,813	75,880
Heating:														
Residential	369,201	4,430,417	32,855,506	\$12.00	\$10.9709	\$2.5387	\$0.0655	\$4.2124	53,165	360,455	83,410	2,152	138,401	637,583
Residential-Senior	45,232	542,788	4,151,233	\$12.00	\$10.9709	\$2.5387	\$0.0655	\$4.2124	6,513	45,543	10,539	272	17,487	80,354
Commercial	19,431	233,177	8,498,417	\$18.00	\$10.9709	\$2.5387	\$0.0655	\$4.3056	4,197	93,235	21,575	557	36,591	156,155
Industrial	606	7,271	734,898	\$50.00	\$10.9709	\$2.5387	\$0.0655	\$4.3029	364	8,063	1,866	48	3,162	13,502
Municipal/MS	557	6,682	1,006,599	\$18.00	\$10.9709	\$2.5387	\$0.0655	\$3.1470	120	11,043	2,555	66	3,168	16,953
PHA Rate 8	780	9,354	548,297	\$18.00	\$10.9709	\$2.5387	\$0.0655	\$4.2952	168	6,015	1,392	36	2,355	9,967
PHA/GS	2,577	30,924	270,534	\$12.00	\$10.9709	\$2.5387	\$0.0655	\$4.2124	371	2,968	687	18	1,140	5,183
PHA/GS- Senior	101	1,212	10,840	\$12.00	\$10.9709	\$2.5387	\$0.0655	\$4.2124	15	119	28	1	46	207
Total Heat Firm	438,485	5,261,825	48,076,324						64,913	527,441	122,051	3,149	202,348	919,903
Total Heating & Non-Heating Firm	495,924	5,951,087	51,851,789						73,728	568,861	131,636	3,396	218,161	995,783
Interruptible:														
BPS, SMALL	113	1,354	162,977	\$35.00	\$15.6414				47				2,549	2,597
BPS, LARGE	162	1,944	1,930,441	\$75.00	\$13.5573				146				26,172	26,317
BPS, A/C	8	96	109,062	\$35.00	\$10.1585				3				1,108	1,111
LBS-S, INDIRECT	18	220	528,264	\$100.00	\$11.4126				22				6,029	6,051
LBS-L, INDIRECT	6	76	374,982	\$175.00	\$10.8689				13				4,076	4,089
LBS-L, DIRECT	1	12	20,547	\$175.00	\$10.6121				2				218	220
LBS-XL, DIRECT	2	24	2,281	\$250.00	\$10.4980				6				24	30
LBS-XL, INDIRECT	4	48	54,119	\$250.00	\$10.8419				12				587	599
CO-GEN	3	40	15,833	\$250.00	\$10.2449				10				162	172
Total Interruptible	318	3,814	3,198,506						262				40,924	41,186
Total PGW	496,242	5,954,901	55,050,295						73,990	568,861	131,636	3,396	259,085	1,036,969
GTS / IT Revenue														7,256
Rounding difference														(98)
Current Tariff Revenue at Full Tariff Rates														1,044,127

Philadelphia Gas Works' Base Rate Filing

III. BALANCE SHEET AND OPERATING STATEMENT

III.E.12. Provide a schedule showing residential and commercial heating sales by unit (MCF) per month and degree days for the test year and three preceding twelve month periods.

RESPONSE:

Please see attached.

124 BRC Exh.A-III.E.12

	Sep-03 <u>Actual</u>	Oct-03 <u>Actual</u>	Nov-03 <u>Actual</u>	Dec-03 <u>Actual</u>	Jan-04 <u>Actual</u>	Feb-04 <u>Actual</u>	Mar-04 <u>Actual</u>	Apr-04 <u>Actual</u>	May-04 <u>Actual</u>	Jun-04 <u>Actual</u>	Jul-04 <u>Actual</u>	Aug-04 <u>Actual</u>
Residential	962,345	1,291,086	2,570,444	5,483,340	7,667,647	8,702,777	5,555,768	4,146,868	1,756,804	1,005,047	859,022	824,930
Commercial	245,170	365,680	530,403	1,138,642	1,557,587	1,594,377	1,176,877	819,718	376,865	290,634	241,004	280,639
Industrial	18,130	26,564	41,156	106,198	147,733	149,969	103,804	62,346	28,831	17,942	16,869	18,854
Municipal	13,571	26,375	70,925	146,470	177,677	266,282	116,292	115,566	24,077	15,655	12,232	10,589
Housing Authority	14,161	39,497	38,785	105,292	63,472	140,577	24,545	57,232	59,005	16,750	14,974	9,871
Total Heating	1,253,377	1,749,202	3,251,713	6,979,942	9,614,116	10,853,982	6,977,286	5,201,730	2,245,582	1,346,028	1,144,101	1,144,883

Degree Days 14 249 395 804 1149 771 564 303 43 13 0 0

	Sep-04 <u>Actual</u>	Oct-04 <u>Actual</u>	Nov-04 <u>Actual</u>	Dec-04 <u>Actual</u>	Jan-05 <u>Actual</u>	Feb-05 <u>Actual</u>	Mar-05 <u>Actual</u>	Apr-05 <u>Actual</u>	May-05 <u>Actual</u>	Jun-05 <u>Actual</u>	Jul-05 <u>Actual</u>	Aug-05 <u>Actual</u>
Residential	825,899	1,150,385	2,722,860	4,401,836	6,860,218	7,475,545	6,523,825	4,158,400	1,987,801	1,286,950	845,211	794,444
Commercial	239,698	339,486	626,286	1,026,550	1,380,400	1,458,703	1,344,734	778,116	407,405	294,450	237,962	229,225
Industrial	15,491	26,871	49,828	96,767	133,939	125,249	115,787	63,588	24,931	22,516	17,405	18,185
Municipal	10,482	16,834	84,632	115,627	183,531	224,064	30,151	103,943	(2,445)	46,305	4,478	8,808
Housing Authority	15,658	28,282	51,200	81,461	91,634	89,036	92,985	35,624	20,692	25,497	13,585	13,919
Total Heating	1,107,228	1,561,858	3,534,806	5,722,241	8,649,722	9,372,597	8,107,482	5,139,671	2,438,384	1,675,718	1,118,641	1,064,581

Degree Days 15 236 448 783 984 746 728 246 141 6 0 0

	Sep-05 <u>Actual</u>	Oct-05 <u>Actual</u>	Nov-05 <u>Actual</u>	Dec-05 <u>Actual</u>	Jan-06 <u>Actual</u>	Feb-06 <u>Actual</u>	Mar-06 <u>Actual</u>	Apr-06 <u>Actual</u>	May-06 <u>Actual</u>	Jun-06 <u>Actual</u>	Jul-06 <u>Actual</u>	Aug-06 <u>Actual</u>
Residential	808,702	895,039	2,258,789	5,248,845	6,001,794	5,582,495	5,274,797	3,013,787	1,422,655	996,703	792,027	684,742
Commercial	238,786	289,048	599,362	1,180,119	1,246,459	1,192,801	1,154,688	634,934	290,206	254,401	233,163	211,101
Industrial	19,355	21,358	42,564	106,956	105,174	99,440	96,092	36,396	23,899	21,062	15,657	21,575
Municipal	10,582	12,045	59,933	159,490	160,098	183,609	137,710	87,716	18,254	9,583	9,132	8,690
Housing Authority	13,460	18,480	60,599	79,801	80,763	73,310	82,658	45,559	26,515	17,935	13,361	13,598
Total Heating	1,090,886	1,235,970	3,021,247	6,775,211	7,594,287	7,131,655	6,745,945	3,818,392	1,781,529	1,299,684	1,063,341	939,706

Degree Days 7 204 413 895 711 758 558 196 77 2 0 0

	Sep-06 <u>Estimated</u>	Oct-06 <u>Estimated</u>	Nov-06 <u>Estimated</u>	Dec-06 <u>Estimated</u>	Jan-07 <u>Estimated</u>	Feb-07 <u>Estimated</u>	Mar-07 <u>Estimated</u>	Apr-07 <u>Estimated</u>	May-07 <u>Estimated</u>	Jun-07 <u>Estimated</u>	Jul-07 <u>Estimated</u>	Aug-07 <u>Estimated</u>
Residential	690,526	1,095,089	2,691,520	4,783,376	7,718,151	6,975,783	5,359,694	3,700,242	1,693,845	1,002,067	808,298	769,523
Commercial	225,228	360,657	697,521	1,126,974	1,597,218	1,416,446	1,123,296	748,589	395,918	302,471	257,141	246,959
Industrial	18,236	33,640	64,900	105,077	139,196	120,585	96,117	59,529	31,679	24,367	21,216	20,357
Municipal	12,982	47,633	106,288	178,325	217,706	177,948	139,493	67,097	26,246	12,106	10,611	10,164
Housing Authority	13,128	29,246	55,593	88,089	105,854	87,919	70,571	37,914	19,411	14,938	13,093	12,542
Total Heating	960,100	1,566,264	3,615,821	6,281,840	9,778,125	8,778,681	6,789,171	4,613,371	2,167,098	1,355,949	1,110,358	1,059,545

Degree Days 37 252 507 838 994 812 649 331 105 0 0 0

Philadelphia Gas Works' Base Rate Filing

III. BALANCE SHEET AND OPERATING STATEMENT

III.E.13. Provide a schedule of present and proposed tariff rates showing dollar change and percent of change by block. Also, provide an explanation of any change in block structure and the reasons therefor.

RESPONSE: Not applicable.

III. BALANCE SHEET AND OPERATING STATEMENT

III.E.14. Provide the following statements and schedules. The schedules and statements for the test year portion should be reconciled with the summary operating statement.

III.E.14.a. An operating revenues summary for the test year and the year preceding the test year showing the following (Gas MCF):

III.E.14.a.(i) For each major classification of customers

III.E.14.a.(i).(a) MCF sales

III.E.14.a.(i).(b) Dollar Revenues

III.E.14.a.(i).(c) Forfeited Discounts (Total if not available by classification)

III.E.14.a.(i).(d) Other and Miscellaneous revenues that are to be taken into the utility operating account along with their related costs and expenses.

III.E.14.a.(ii) A detailed explanation of all annualizing and normalizing adjustments showing method utilized and amounts and rates used in calculation to arrive at adjustment.

III.E.14.a.(iii) Segregate, from recorded revenues from the test year, the amount of revenues that are contained therein, by appropriate revenue categories, from:

III.E.14.a.(iii).(a) Adjustment Surcharge

III.E.14.a.(iii).(b) State Tax Surcharge

III.E.14.a.(iii).(c) Any other surcharge being used to collect revenues.

III.E.14.a.(iii)(d) Provide explanations if any of the surcharges are not applicable to respondent's operations.

[The schedule should also show number of customers and unit of sales (Mcf), and should provide number of customers by service classification at beginning and end of test year.]

III.14.b. Provide details of sales for resale, based on periods five years before and projections for five years after the test year, and for the test year. List customers, Mcf sold, revenues received, source of Mcf sold (storage gas, pipeline gas, manufactured gas, natural or synthetic), contracted or spot sales, whether sales are to affiliated companies, and any other pertinent information.

Philadelphia Gas Works' Base Rate Filing

III. BALANCE SHEET AND OPERATING STATEMENT

RESPONSE:

III.E.14.a.(i).(a): Please see attached.

III.E.14.a.(i).(b): Please see attached.

III.E.14.a.(i) (c): Not Applicable.

III.E.14.a.(i)(d): Please see directly below.

PHILADELPHIA GAS WORKS
OTHER & MISCELLANEOUS REVENUES

	<u>Actual</u> <u>FY 2006</u>	<u>Current Rates</u> <u>FY 2007</u>
<u>Other & Miscellaneous Revenues</u>		
<u>Appliance & Other Revenues</u>		
Appliance Revenues	\$ 7,718,000	\$ 7,775,000
Collection Related Revenues	2,764,000	2,757,000
Total	\$ 10,482,000	\$ 10,532,000
<u>Other Operating Revenues</u>		
Finance Charges	\$ 13,271,000	\$ 17,746,000
Suspended Service Revenues	4,000	6,000
Returned Check Charges	213,000	260,000
Charge Back - Credit Cards	10,000	20,000
Contractual Obligation Adjustment Gas	27,000	-
Total	\$ 13,525,000	\$ 18,032,000

III.E.14.a.(ii): See the response to Exh.A – III.A.20 and Exhibit JRB-1 (BASE RATE PRO FORMA ADJUSTMENTS) of Mr. Bogdonavage's testimony.

III.E.14.a.(iii)(a thru d):

- a) Please see the column titled 'GCR Charge Revenue' in the attached proof of revenue schedule.
- b) PGW does not have a state tax surcharge.

Philadelphia Gas Works' Base Rate Filing

III. BALANCE SHEET AND OPERATING STATEMENT

- c) Please see the column titled 'Unive. Service Charge Revenue' and 'Restr. And Cons. Educ. Charge Revenue' in the attached proof of revenue schedule.
- d) The state tax surcharge is not applicable to PGW's operations.

Please see the attached schedule marked as "III.E.14.a.(iii)(d) []" for the data requested in the bracketed section after III.E.14.a.(iii)(d).

III.E.14.b.: PGW does not engage in sales for resale.

PHILADELPHIA GAS WORKS
SALES VOLUMES
(THOUSANDS OF MCF'S)

	<u>ACTUAL</u> 2005-2006	<u>TEST YEAR</u> 2006-2007
<u>NON-HEATING</u>		
RESIDENTIAL	1,366	1,302
CRP	155	160
COMMERCIAL	1,665	1,705
INDUSTRIAL	305	345
MUNICIPAL	255	263
NGV Firm	<u>0</u>	<u>0</u>
TOTAL FIRM NON-HTG	3,746	3,775
<u>INTERRUPTIBLE:</u>		
BPS-SMALL	139	163
LBS-L DIRECT	13	21
LBS-XL DIRECT	6	2
BPS-LARGE	1,435	1,930
LBS-L INDIRECT	148	375
LBS-S INDIRECT	375	528
LBS-XL INDIRECT	189	54
CO-GEN INDIRECT	17	16
GTS SALES	13	0
BPS A/C	<u>92</u>	<u>109</u>
TOTAL INTERRUPTIBLE	2,426	3,199
TOTAL NON-HEATING	6,232	7,018
<u>HEATING</u>		
RESIDENTIAL	25,097	28,331
CRP	7,643	8,676
HOUSING AUTHORITY- GS	240	281
COMMERCIAL	7,525	8,498
INDUSTRIAL	610	735
MUNICIPAL	857	1,007
HOUSING AUTHORITY - PHA	<u>526</u>	<u>548</u>
TOTAL HEATING	42,498	48,076
TOTAL FIRM HTG & NON-HTG	46,244	51,852
TOTAL GAS SALES	48,669	55,050
GTS TRANSPORTATION	10,727	13,323
TOTAL SALES & TRANSPORT	61,815	68,974
DEGREE DAYS	3,982	4,525

**PHILADELPHIA GAS WORKS
REVENUE
(Thousands of dollars)**

	<u>ACTUAL 2005-2006</u>	<u>TEST YEAR 2006-2007</u>
<u>NON-HEATING</u>		
RESIDENTIAL	32,973	30,042
CRP	1,209	1,664
COMMERCIAL	32,148	31,665
INDUSTRIAL	5,929	6,315
MUNICIPAL	4,603	4,454
NGV Firm	3	6
TOTAL FIRM NON-HTG	76,865	74,147
<u>INTERRUPTIBLE</u>		
BPS-SMALL	2,281	2,597
LBS-L DIRECT	157	220
LBS-XL DIRECT	70	30
TRI-GEN	0	0
BPS-LARGE	21,185	26,317
LBS-L INDIRECT	1,837	4,089
LBS-S INDIRECT	4,549	6,051
LBS-XL INDIRECT	1,888	599
CO-GEN INDIRECT	199	172
GRAYSFERRY	0	0
GTS SALES	260	0
BPS A/C	1,083	1,111
TOTAL INTERRUPTIBLE	33,509	41,186
TOTAL NON-HEATING	110,375	115,333
<u>HEATING</u>		
RESIDENTIAL	509,975	538,364
CRP	68,625	86,605
HOUSING AUTHORITY - GS	4,858	5,337
COMMERCIAL	147,635	155,817
INDUSTRIAL	12,020	13,472
MUNICIPAL	15,608	16,903
HOUSING AUTHORITY - PHA	10,214	9,944
TOTAL HEATING	768,934	826,442
TOTAL FIRM HTG & NON-HTG	845,800	900,589
GAS REVENUES	879,309	941,775
GTS TRANSPORTATION	6,450	7,256
TOTAL NET REVENUES	885,759	949,031

**Philadelphia Gas Works
Class Cost of Service Study - 2006
Tariff Revenue at Current Rates**

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	Test Year 2007			Current PUC Approved Tariff Rates					Amounts in \$000s					Total Full Tariff Revenue
	No. of Customers	No. of Annual Bills	Annual Sales (mcf)	Monthly Cust. Charge	GCR Charge	Univ. Service Charge	Restr. and Cons. Educ. Charge	Delivery Charge	Cust. Charge Revenue	GCR Charge Revenue	Unive. Service Charge Revenue	Restr. and Cons. Educ. Charge Revenue	Delivery Charge Revenue	
7 Non-Heating:														
8 Residential	47,922	575,067	1,387,356	\$12.00	\$10.9709	\$2.5387	\$0.0655	\$4.2124	6,901	15,221	3,522	91	5,844	31,578
9 Residential-Senior	3,322	39,868	74,732	\$12.00	\$10.9709	\$2.5387	\$0.0655	\$4.2124	478	820	190	5	315	1,808
10 Commercial	5,604	67,247	1,705,062	\$18.00	\$10.9709	\$2.5387	\$0.0655	\$4.3056	1,210	18,706	4,329	112	7,341	31,698
11 Industrial	254	3,048	345,261	\$50.00	\$10.9709	\$2.5387	\$0.0655	\$4.3029	152	3,788	877	23	1,486	6,325
12 Municipal/MS	335	4,020	262,687	\$18.00	\$10.9709	\$2.5387	\$0.0655	\$3.1470	72	2,882	667	17	827	4,465
13 NGV	1	12	367	\$35.00	\$10.9709	\$2.5387	\$0.0655		0	4	1	0	0	5
14 Total Non-Heat Firm	57,439	689,262	3,775,465						8,815	41,420	9,585	247	15,813	75,880
16 Heating:														
17 Residential	369,201	4,430,417	32,855,506	\$12.00	\$10.9709	\$2.5387	\$0.0655	\$4.2124	53,165	360,455	83,410	2,152	138,401	637,583
18 Residential-Senior	45,232	542,788	4,151,233	\$12.00	\$10.9709	\$2.5387	\$0.0655	\$4.2124	6,513	45,543	10,539	272	17,487	80,354
19 Commercial	19,431	233,177	8,498,417	\$18.00	\$10.9709	\$2.5387	\$0.0655	\$4.3056	4,197	93,235	21,575	557	36,591	156,155
20 Industrial	606	7,271	734,898	\$50.00	\$10.9709	\$2.5387	\$0.0655	\$4.3029	364	8,063	1,866	48	3,162	13,502
21 Municipal/MS	557	6,682	1,006,599	\$18.00	\$10.9709	\$2.5387	\$0.0655	\$3.1470	120	11,043	2,555	66	3,168	16,953
22 PHA Rate 8	780	9,354	548,297	\$18.00	\$10.9709	\$2.5387	\$0.0655	\$4.2952	168	6,015	1,392	36	2,355	9,967
23 PHA/GS	2,577	30,924	270,534	\$12.00	\$10.9709	\$2.5387	\$0.0655	\$4.2124	371	2,968	687	18	1,140	5,183
24 PHA/GS- Senior	101	1,212	10,840	\$12.00	\$10.9709	\$2.5387	\$0.0655	\$4.2124	15	119	28	1	46	207
25 Total Heat Firm	438,485	5,261,825	48,076,324						64,913	527,441	122,051	3,149	202,348	919,903
26 Total Heating & Non-Heating Firm	495,924	5,951,087	51,851,789						73,728	568,861	131,636	3,396	218,161	995,783
30 Interruptible:														
31 BPS, SMALL	113	1,354	162,977	\$35.00	\$15.6414				47				2,549	2,597
32 BPS, LARGE	162	1,944	1,930,441	\$75.00	\$13.5573				146				26,172	26,317
33 BPS, A/C	8	96	109,062	\$35.00	\$10.1585				3				1,108	1,111
34 LBS-S, INDIRECT	18	220	528,264	\$100.00	\$11.4126				22				6,029	6,051
35 LBS-L, INDIRECT	6	76	374,982	\$175.00	\$10.8689				13				4,076	4,089
36 LBS-L, DIRECT	1	12	20,547	\$175.00	\$10.6121				2				218	220
37 LBS-XL, DIRECT	2	24	2,281	\$250.00	\$10.4980				6				24	30
38 LBS-XL, INDIRECT	4	48	54,119	\$250.00	\$10.8419				12				587	599
39 CO-GEN	3	40	15,833	\$250.00	\$10.2449				10				162	172
40 Total Interruptible	318	3,814	3,198,506						262				40,924	41,186
41 Total PGW	<u>496,242</u>	<u>5,954,901</u>	<u>55,050,295</u>						<u>73,990</u>	<u>568,861</u>	<u>131,636</u>	<u>3,396</u>	<u>259,085</u>	<u>1,036,969</u>
42 GTS / IT Revenue														7,256
43 Rounding difference														(98)
44 Current Tariff Revenue at Full Tariff Rates														1,044,127

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PHILADELPHIA GAS WORKS

	<u>Sales</u>	<u>Customer Billings</u>	
	UNITS - TEST YEAR 2006-2007	BEGINNING OF TEST YEAR Sep-01-06	END OF TEST YEAR Aug-31-07
<u>NON-HEATING</u>			
RESIDENTIAL	1,301,851	49,804	47,129
CRP	160,236	2,078	2,078
COMMERCIAL	1,705,062	5,574	5,629
INDUSTRIAL	345,260	254	254
MUNICIPAL	262,687	335	335
NGV Firm	367	1	1
TOTAL FIRM NON-HTG	3,775,463	58,046	55,426
<u>INTERRUPTIBLE</u>			
BPS-SMALL	162,979	120	109
LBS-L DIRECT	20,549	1	1
LBS-XL DIRECT	2,280	2	2
BPS-LARGE	1,930,440	169	160
LBS-L INDIRECT	374,983	7	6
LBS-S INDIRECT	528,265	19	18
LBS-XL INDIRECT	54,118	4	4
CO-GEN INDIRECT	15,834	4	3
GTS SALES	0	0	0
BPS A/C	109,062	8	8
TOTAL INTERRUPTIBLE	3,198,508	334	311
TOTAL NON-HEATING	6,973,971	58,380	55,737
<u>HEATING</u>			
RESIDENTIAL	28,330,724	343,390	342,412
CRP	8,676,014	67,422	67,422
HOUSING AUTHORITY - GS	281,374	2,678	2,678
COMMERCIAL	8,498,418	19,216	19,614
INDUSTRIAL	734,897	603	607
MUNICIPAL	1,006,598	556	557
HOUSING AUTHORITY - PHA	548,297	783	777
TOTAL HEATING	48,076,322	434,648	434,067
TOTAL FIRM HTG & NON-HTG	51,851,785	492,694	489,493
Total GAS	55,050,293	493,028	489,804
GTS TRANSPORTATION	13,323,287	151	176
TOTAL	68,373,580	493,179	489,980

Philadelphia Gas Works' Base Rate Filing

III. BALANCE SHEET AND OPERATING STATEMENT

III.E.15. State manner in which revenues are being presented for ratemaking purposes:

III.E.15.a. Accrued Revenues

III.E.15.b. Billed Revenues

III.E.15.c. Cash Revenues

Provide details of the method followed.

RESPONSE:

15.a An accrual for gas used but not yet billed to customers is made for ratemaking purposes.

15.b&c Revenues for ratemaking purposes are reported on an as billed basis.

Philadelphia Gas Works' Base Rate Filing

III. BALANCE SHEET AND OPERATING STATEMENT

III.E.16. If revenue accruing entries are made on the books at end of each fiscal period, give entries made accordingly at the end of the test year and at the beginning of the year. State whether they are reversed for ratemaking purposes.

RESPONSE:

The entries are not reversed for ratemaking purposes.

The following actual entry was made at the beginning of the test year (8/31/2006)

	<u>Debit</u>	<u>Credit</u>
173 Accrued Utility Revenue	\$3,785,000	
495 Other Gas Revenues		\$3,785,000

The following entry is anticipated to be made at the end of the test year (8/31/2007)

	<u>Debit</u>	<u>Credit</u>
173 Accrued Utility Revenue		\$732,000
495 Other Gas Revenues	\$732,000	

Philadelphia Gas Works' Base Rate Filing

III. BALANCE SHEET AND OPERATING STATEMENT

III.E.17. State whether any adjustments have been made to expenses in order to present such expenses on a basis comparable to the manner in which revenues are presented in this proceeding (i.e.—accrued, billed or cash).

RESPONSE: None

Philadelphia Gas Works' Base Rate Filing

III. BALANCE SHEET AND OPERATING STATEMENT

III.E.18. If the utility has a Fuel Adjustment Clause:

III.E.18.a. State the base fuel cost per MCF chargeable against basic customers' rates during the test year. If there was any change in this basic fuel charge during the test year, give details and explanation thereof.

III.E.18.b. State the amount in which the fuel adjustment clause cost per MCF exceeds the fuel cost per MCF charged in base rates at the end of the test year.

III.E.18.c. If fuel cost deferment is used at the end of the test year, give

III.E.18.c.(i). The amount of deferred fuel cost contained in the operating statement that was deferred from the 12-month operating period immediately preceding the test year.

III.E.18.c.(ii). The amount of deferred fuel cost that was removed from the test period and deferred to the period immediately following the test year.

III.E.18.d. State the amount of Fuel Adjustment Clause revenues credited to the test year operating account.

III.E.18.e. State the amount of fuel cost charged to the operating expense account in the test year which is the basis of Fuel Adjustment Clause billings to customers in that year. Provide summary details of this charge.

III.E.18.f. From the recorded test year operating account, remove the Fuel Adjustment Clause Revenues. Also remove from the test year recorded operating account the excess of fuel cost over base rate fuel charges, which is the basis for the Fuel Adjustment charges. Explain any difference between FAC Revenues and excess fuel costs. [The above is intended to limit the operating account to existing customers' base rate revenues and expense deductions relative thereto].

RESPONSE:

III.E.18.a. There is not any base fuel cost per MCF chargeable against basic customers' rates during the test year.

III.E.18.b. There is not any base fuel cost per MCF chargeable against basic customers' rates during the test year.

III.E.18.c. There is not any fuel cost deferment used at the end of the test year.

III.E.18.d. The total projected recovery for the GCR in the test year is \$568,861,376.

Philadelphia Gas Works' Base Rate Filing

III. BALANCE SHEET AND OPERATING STATEMENT

III.E.18.e. The amount of fuel cost including the E factor and IRC charges which is the basis of Fuel Adjustment Clause billings to customers in the test year is \$568,862,790. Attached are the summary details of this charge.

III.E.18.f. The difference between FAC Revenues and fuel costs including the E factor and IRC charges in the test year is \$1,414 a difference that is inconsequential.

Philadelphia Gas Works

Levelized Gas Cost Rate

Budget Year September 1, 2006

Formula:

GCR = SSC + GAC - IRC

where:

				<u>Total</u>
S = Firm Sales Volume (Mcf)				51,851,785
		<u>Demand</u>	<u>Commodity</u>	
Net Natural Gas Expense	\$	66,806,125	\$ 525,358,091	\$ 592,164,216
Purchased Electric Expense	\$		\$ 1,072,000	\$ 1,072,000
C = Total Applicable GCR Expense	\$	66,806,125	\$ 526,430,091	\$ 593,236,216
SSC = C / S	\$	1.2884	\$ 10.1526	\$ 11.4410
Adjustment For:				
Interest	\$	254,892	\$ 699,269	\$ 954,161
Prior Year Reconciliation	\$	(6,166,977)	\$ (11,757,628)	\$ (17,924,605)
E = Adjustments to GCR Expenses	\$	(5,912,086)	\$ (11,058,359)	\$ (16,970,444)
GAC = E / S	\$	(0.1140)	\$ (0.2133)	\$ (0.3273)
Interruptible Revenue Credit				\$ 7,402,983
IRC = Interruptible Revenue Credit / S				\$ 0.1428
Net Applicable GCR Expenses = C + E - Interruptible Revenue Credit				\$ 568,862,790
<u>GCR = SSC + GAC - IRC</u>				\$ 10.9709
SSC in effect 09/01/06	\$	1.2863	\$ 10.1362	\$ 11.4225
GAC in effect 09/01/06	\$	(0.1138)	\$ (0.2130)	\$ (0.3268)
IRC in effect 09/01/06				\$ (0.1425)
GCR in effect 9/01/06				\$ 10.9532
Recovery Test on:				
Firm Sales Volume (Mcf)				51,851,785
= Total Projected Recovery				\$ 568,861,376
Compared To				
Net Applicable GCR Expenses				\$ 568,862,790
= Net Over/(Under) Recovery				\$ (1,414)
Degree Days				4,525

**PROJECTED APPLICABLE FUEL EXPENSE
SUMMARY
SEPTEMBER 2006 - AUGUST 2007**

	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	TOTAL
DEMAND CHARGES	5,162,913	5,151,024	5,776,012	5,895,548	5,952,510	5,884,022	5,880,061	5,439,866	5,413,472	5,424,546	5,413,474	5,412,677	66,806,125
COMMODITY CHARGES	21,270,552	30,313,716	36,407,929	62,292,827	75,161,719	59,208,063	56,374,128	54,582,064	48,541,627	38,861,365	38,256,094	37,620,255	558,890,338
TOTAL NATURAL GAS BILLED	26,433,465	35,464,740	42,183,941	68,188,375	81,114,229	65,092,085	62,254,189	60,021,930	53,955,099	44,285,911	43,669,568	43,032,932	625,696,463
INTERRUPTIBLE CREDIT	(897,928)	(1,765,661)	(3,030,877)	(4,929,167)	(5,884,854)	(4,802,007)	(4,153,059)	(2,338,701)	(1,239,207)	(816,891)	(899,998)	(918,220)	(31,676,568)
SENDOUT VOLUME IN MCF	113,254	208,339	331,109	498,726	571,180	478,671	413,303	256,044	141,731	93,947	102,261	105,125	3,313,688
DKT CONVERSION FACTOR	1.0380	1.0380	1.0380	1.0380	1.0380	1.0380	1.0380	1.0380	1.0380	1.0380	1.0380	1.0380	
PRICE \$/DKT	7.638	8.165	8.819	9.522	9.926	9.665	9.681	8.800	8.423	8.377	8.479	8.415	
NATURAL GAS TO STORAGE	7,239,914	338,286	1,606,648	-	-	-	-	15,791,387	27,186,807	26,677,878	26,222,394	25,702,112	130,765,427
FROM STORAGE	-	-	22,429,540	31,608,911	38,798,827	31,951,443	20,999,936	-	-	-	-	-	145,788,657
NET NATURAL GAS STORAGE	(7,239,914)	(338,286)	20,822,892	31,608,911	38,798,827	31,951,443	20,999,936	(15,791,387)	(27,186,807)	(26,677,878)	(26,222,394)	(25,702,112)	15,023,231
LNG TO STORAGE	2,461,826	3,922,325	3,875,238	2,688,668	-	-	2,076,586	2,045,138	2,519,384	646,045	-	-	20,235,211
FROM STORAGE	619,659	643,512	624,615	1,422,855	1,691,890	1,403,658	659,458	643,905	665,955	644,370	665,885	665,992	10,351,754
NET LNG STORAGE	(1,842,167)	(3,278,813)	(3,250,623)	(1,265,813)	1,691,890	1,403,658	(1,417,128)	(1,401,233)	(1,853,428)	(1,675)	665,885	665,992	(9,883,457)
NET NATURAL GAS EXPENSE	16,453,455	30,081,980	56,725,333	93,602,306	115,720,092	93,645,179	77,683,938	40,490,607	23,675,657	16,789,468	17,213,062	17,078,592	599,159,670
APPLICABLE GCR EXPENSE													
NET NATURAL GAS EXPENSE	16,453,455	30,081,980	56,725,333	93,602,306	115,720,092	93,645,179	77,683,938	40,490,607	23,675,657	16,789,468	17,213,062	17,078,592	599,159,669
PURCHASED ELECTRIC	82,200	86,000	78,800	92,000	150,500	106,000	93,500	78,200	81,500	21,700	95,600	106,000	1,072,000
GAS USED FOR UTILITY	(154,834)	(246,657)	(521,413)	(920,629)	(1,421,934)	(1,242,731)	(981,085)	(617,621)	(307,724)	(213,788)	(187,318)	(179,718)	(6,995,453)
TOTAL APPLICABLE EXPENSES	16,380,821	29,921,323	56,282,720	92,773,677	114,448,658	92,508,448	76,796,353	39,951,186	23,449,433	16,597,380	17,121,344	17,004,874	593,236,216
TOTAL FIRM SALES	1,140,877	1,798,853	3,971,271	6,793,302	10,469,334	9,403,729	7,303,545	4,992,827	2,415,083	1,593,334	1,314,680	1,254,950	52,451,785

Philadelphia Gas Works' Base Rate Filing

III. BALANCE SHEET AND OPERATING STATEMENT

III.E.19. Provide growth patterns of usage and customer numbers per rate class, using historical and projected data.

RESPONSE:

Please see attached.

PHILADELPHIA GAS WORKS
FIRM GAS SALES
MMCF

	Avg Customers Actual 2004-05	Normalized Sales 2004-05	Average MCF per Customer Normalized	Avg Customers Actual 2005-06	Normalized Sales 2005-06	Average MCF per Customer Normalized	Test Year Avg Customers Estimated 2006-07	Test Year Budget Sales 2006-07	Test Year Average MCF per Customer Normalized
NON-HEATING									
RESIDENTIAL	57,945	1,786	31	52,645	1,477	28	48,322	1,302	27
CRP	2,379	214	90	2,305	173	75	2,111	160	76
COMMERCIAL	5,668	1,781	314	5,589	1,747	312	5,604	1,705	304
INDUSTRIAL	267	332	1,245	251	331	1,317	254	345	1,359
MUNICIPAL	339	286	844	333	301	903	335	263	784
HOUSING AUTHORITY	0	0	0	0	0	0	0	0	0
NGV FIRM	0	0	0	1	0	197	1	0	367
HEATING									
RESIDENTIAL	363,862	32,461	89	351,529	28,261	80	346,774	28,331	82
CRP	59,015	7,605	129	68,422	8,717	127	68,473	8,676	127
HOUSING AUTHORITY - GS	2,943	289	98	2,437	276	113	2,678	281	105
COMMERCIAL	19,356	8,606	445	19,152	8,395	438	19,431	8,498	437
INDUSTRIAL	630	734	1,166	601	681	1,132	606	735	1,213
MUNICIPAL	563	858	1,525	560	998	1,781	557	1,007	1,807
HOUSING AUTHORITY - PHA	844	580	688	807	590	732	780	548	703

Philadelphia Gas Works' Base Rate Filing

III. BALANCE SHEET AND OPERATING STATEMENT

III.E.20. Provide, for test year only, a schedule by tariff rates and by service classifications showing proposed increase and percent of increase.

RESPONSE:

Please see the attached schedules.

Philadelphia Gas Works
 Class Cost of Service Study - 2006
 Tariff Revenue at Current Rates

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	Test Year 2007			Current PUC Approved Tariff Rates					Amounts in \$000s					Total Full Tariff Revenue
	No. of Customers	No. of Annual Bills	Annual Sales (mcf)	Monthly Cust. Charge	GCR Charge	Univ. Service Charge	Restr. and Cons. Educ. Charge	Delivery Charge	Cust. Charge Revenue	GCR Charge Revenue	Univ. Service Charge Revenue	Restr. and Cons. Educ. Charge Revenue	Delivery Charge Revenue	
6 7 Non-Heating:														
8 Residential	47,922	575,067	1,387,356	\$12.00	\$10.9709	\$2.5387	\$0.0655	\$4.2124	6,901	15,221	3,522	91	5,844	31,578
9 Residential-Senior	3,322	39,868	74,732	\$12.00	\$10.9709	\$2.5387	\$0.0655	\$4.2124	478	820	190	5	315	1,808
10 Commercial	5,604	67,247	1,705,062	\$18.00	\$10.9709	\$2.5387	\$0.0655	\$4.3056	1,210	18,706	4,329	112	7,341	31,698
11 Industrial	254	3,048	345,261	\$50.00	\$10.9709	\$2.5387	\$0.0655	\$4.3029	152	3,788	877	23	1,486	6,325
12 Municipal/VMS	335	4,020	262,687	\$18.00	\$10.9709	\$2.5387	\$0.0655	\$3.1470	72	2,882	667	17	827	4,465
13 NGV	1	12	367	\$35.00	\$10.9709	\$2.5387	\$0.0655		0	4	1	0	0	5
14 Total Non-Heat Firm	57,439	689,262	3,775,465						8,815	41,420	9,585	247	15,813	75,880
15														
16 Heating:														
17 Residential	369,201	4,430,417	32,855,506	\$12.00	\$10.9709	\$2.5387	\$0.0655	\$4.2124	53,165	360,455	83,410	2,152	138,401	637,583
18 Residential-Senior	45,232	542,788	4,151,233	\$12.00	\$10.9709	\$2.5387	\$0.0655	\$4.2124	6,513	45,543	10,539	272	17,487	80,354
19 Commercial	19,431	233,177	8,498,417	\$18.00	\$10.9709	\$2.5387	\$0.0655	\$4.3056	4,197	93,235	21,575	557	36,591	156,155
20 Industrial	606	7,271	734,898	\$50.00	\$10.9709	\$2.5387	\$0.0655	\$4.3029	364	8,063	1,866	48	3,162	13,502
21 Municipal/VMS	557	6,682	1,006,599	\$18.00	\$10.9709	\$2.5387	\$0.0655	\$3.1470	120	11,043	2,555	66	3,168	16,953
22 PHA Rate 8	780	9,354	548,297	\$18.00	\$10.9709	\$2.5387	\$0.0655	\$4.2952	168	6,015	1,392	36	2,355	9,967
23 PHA/GS	2,577	30,924	270,534	\$12.00	\$10.9709	\$2.5387	\$0.0655	\$4.2124	371	2,968	687	18	1,140	5,183
24 PHA/GS- Senior	101	1,212	10,840	\$12.00	\$10.9709	\$2.5387	\$0.0655	\$4.2124	15	119	28	1	46	207
25 Total HeatFirm	438,485	5,261,825	48,076,324						64,913	527,441	122,051	3,149	202,348	919,903
26														
27 Total Heating & Non-Heating Firm	495,924	5,951,087	51,851,789						73,728	568,861	131,636	3,396	218,161	995,783
28														
29														
30 Interruptible:														
31 BPS, SMALL	113	1,354	162,977	\$35.00	\$15.6414				47				2,549	2,597
32 BPS, LARGE	162	1,944	1,930,441	\$75.00	\$13.5573				146				26,172	26,317
33 BPS, A/C	8	96	109,062	\$35.00	\$10.1585				3				1,108	1,111
34 LBS-S, INDIRECT	18	220	528,264	\$100.00	\$11.4126				22				6,029	6,051
35 LBS-L, INDIRECT	6	76	374,982	\$175.00	\$10.8689				13				4,076	4,089
36 LBS-L, DIRECT	1	12	20,547	\$175.00	\$10.6121				2				218	220
37 LBS-XL, DIRECT	2	24	2,281	\$250.00	\$10.4980				6				24	30
38 LBS-XL, INDIRECT	4	48	54,119	\$250.00	\$10.8419				12				587	599
39 CO-GEN	3	40	15,833	\$250.00	\$10.2449				10				162	172
40 Total Interruptible	318	3,814	3,198,506						262				40,924	41,186
41 Total PGW	496,242	5,954,901	55,050,295						73,990	568,861	131,636	3,396	259,085	1,036,969
42 GTS / IT Revenue														7,256
43 Rounding difference														(98)
44 Current Tariff Revenue at Full Tariff Rates														1,044,127

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Philadelphia Gas Works
 Class Cost of Service Study - 2006
 Tariff Revenue at Company's Proposed Rates

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	Test Year 2007			Company's Proposed Tariff Rates				Amounts in \$000s					
	No. of Customers	No. of Annual Bills	Annual Sales (mcf)	Monthly Cust. Charge	GCR Charge	Univ. Service Charge	Delivery Charge	Cust. Charge Revenue	GCR Charge Revenue	Unive. Service Charge Revenue	Delivery Charge Revenue	Total Full Tariff Revenue	
7 Non-Heating:													
8 Residential	47,922	575,067	1,387,356	\$12.00	\$10.9709	\$2.5387	\$6.0799	6,901	15,221	3,522	8,435	34,078	
9 Residential-Senior	3,322	39,868	74,732	\$12.00	\$10.9709	\$2.5387	\$6.0799	478	820	190	454	1,942	
10 Commercial	5,604	67,247	1,705,062	\$18.00	\$10.9709	\$2.5387	\$6.7944	1,210	18,706	4,329	11,585	35,830	
11 Industrial	254	3,048	345,261	\$50.00	\$10.9709	\$2.5387	\$6.0749	152	3,788	877	2,097	6,914	
12 Municipal/MS	335	4,020	262,687	\$18.00	\$10.9709	\$2.5387	\$4.9416	72	2,882	667	1,298	4,919	
13 NGV	1	12	367	\$35.00	\$10.9709	\$2.5387	\$0.9254	0	4	1	0	6	
14 Total Non-Heat Firm	57,439	689,262	3,775,465					8,815	41,420	9,585	23,870	83,690	
16 Heating:													
17 Residential	369,201	4,430,417	32,855,506	\$12.00	\$10.9709	\$2.5387	\$6.0799	53,165	360,455	83,410	199,758	696,788	
18 Residential-Senior	45,232	542,788	4,151,233	\$12.00	\$10.9709	\$2.5387	\$6.0799	6,513	45,543	10,539	25,239	87,834	
19 Commercial	19,431	233,177	8,498,417	\$18.00	\$10.9709	\$2.5387	\$6.7944	4,197	93,235	21,575	57,742	176,749	
20 Industrial	606	7,271	734,898	\$50.00	\$10.9709	\$2.5387	\$6.0749	364	8,063	1,866	4,464	14,756	
21 Municipal/MS	557	6,682	1,006,599	\$18.00	\$10.9709	\$2.5387	\$4.9416	120	11,043	2,555	4,974	18,693	
22 PHA Rate B	780	9,354	548,297	\$18.00	\$10.9709	\$2.5387	\$6.6390	168	6,015	1,392	3,640	11,216	
23 PHA/GS	2,577	30,924	270,534	\$12.00	\$10.9709	\$2.5387	\$6.0799	371	2,968	687	1,645	5,671	
24 PHA/GS- Senior	101	1,212	10,840	\$12.00	\$10.9709	\$2.5387	\$6.0799	15	119	28	66	227	
25 Total Heat Firm	438,485	5,261,825	48,076,324					64,913	527,441	122,051	297,528	1,011,934	
27 Total Heating & Non-Heating Firm	495,924	5,951,087	51,851,789					73,728	568,861	131,636	321,399	1,095,624	
30 Interruptible:													
31 BPS, SMALL	113	1,354	162,977	\$43.06	\$15.6414			58			2,549	2,607	
32 BPS, LARGE	162	1,944	1,930,441	\$92.27	\$13.5573			179			26,172	26,351	
33 BPS, A/C	8	96	109,062	\$43.06	\$10.1585			4			1,108	1,112	
34 LBS-S, INDIRECT	18	220	528,264	\$123.02	\$11.4126			27			6,029	6,056	
35 LBS-L, INDIRECT	6	76	374,982	\$215.29	\$10.8689			16			4,076	4,092	
36 LBS-L, DIRECT	1	12	20,547	\$215.25	\$10.6121			3			218	221	
37 LBS-XL, DIRECT	2	24	2,281	\$307.54	\$10.4980			7			24	31	
38 LBS-XL, INDIRECT	4	48	54,119	\$307.56	\$10.8419			15			587	602	
39 CO-GEN	3	40	15,833	\$307.55	\$10.2449			12			162	175	
40 Total Interruptible	318	3,814	3,198,506					322			40,924	41,246	
41 Total PGW	496,242	5,954,901	55,050,295					74,051	568,861	131,636	0	362,323	1,136,871
42 GTS / IT Revenue												7,256	
44 Proposed Tariff Revenue at Full Tariff Rates												1,144,126	

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Rate Increase
Typical Monthly Bill

Residential Heating

<u>Unit Costs</u>	<u>Annual Usage</u>	<u>Unit</u>	<u>Current Rates</u>		<u>Proposed Rate Change Update</u>	<u>Change In Annual Bill</u>	<u>Change In Rate</u>
Surcharges	89.0	Mcf	\$ 2.6042	Surcharges	\$ 2.5387		\$ (0.07)
Delivery Charge	89.0	Mcf	\$ 4.2124	Delivery Charge	\$ 6.0799		\$ 1.87
GCR Factor	89.0	Mcf	\$ 10.9709	GCR Factor	\$ 10.9709		\$ -
Customer Charge	12	Months	\$ 12.00	Customer Charge	\$ 12.00		\$ -
Annual Bill/Effect on Annual Bill			<u>\$ 1,727.09</u>		<u>\$ 1,887.47</u>	<u>\$ 160.38</u>	9.3%
Effect on Average Monthly Bill						<u>\$ 13.36</u>	

Commercial Heating

<u>Unit Costs</u>	<u>Annual Usage</u>	<u>Unit</u>	<u>Current Rates</u>		<u>Proposed Rate Change Update</u>	<u>Change In Annual Bill</u>	<u>Change In Rate</u>
Surcharges	444.0	Mcf	\$ 2.6042	Surcharges	\$ 2.5387		\$ (0.07)
Delivery Charge	444.0	Mcf	\$ 4.3056	Delivery Charge	\$ 6.7944		\$ 2.49
GCR Factor	444.0	Mcf	\$ 10.9709	GCR Factor	\$ 10.9709		\$ -
Customer Charge	12	Months	\$ 18.00	Customer Charge	\$ 18.00		\$ -
Annual Bill/Effect on Annual Bill			<u>\$ 8,155.03</u>		<u>\$ 9,230.98</u>	<u>\$ 1,075.95</u>	13.2%
Effect on Average Monthly Bill						<u>\$ 89.66</u>	

Industrial Heating

<u>Unit Costs</u>	<u>Annual Usage</u>	<u>Unit</u>	<u>Current Rates</u>		<u>Proposed Rate Change Update</u>	<u>Change In Annual Bill</u>	<u>Change In Rate</u>
Surcharges	1,185.0	Mcf	\$ 2.6042	Surcharges	\$ 2.5387		\$ (0.07)
Delivery Charge	1,185.0	Mcf	\$ 4.3029	Delivery Charge	\$ 6.0749		\$ 1.77
GCR Factor	1,185.0	Mcf	\$ 10.9709	GCR Factor	\$ 10.9709		\$ -
Customer Charge	12	Months	\$ 50.00	Customer Charge	\$ 50.00		\$ -
Annual Bill/Effect on Annual Bill			<u>\$ 21,785.43</u>		<u>\$ 23,807.63</u>	<u>\$ 2,022.20</u>	9.3%
Effect on Average Monthly Bill						<u>\$ 168.52</u>	

PHA Heating

<u>Unit Costs</u>	<u>Annual Usage</u>	<u>Unit</u>	<u>Current Rates</u>		<u>Proposed Rate Change Update</u>	<u>Change In Annual Bill</u>	<u>Change In Rate</u>
Surcharges	703.0	Mcf	\$ 2.6042	Surcharges	\$ 2.5387		\$ (0.07)
Delivery Charge	703.0	Mcf	\$ 4.2952	Delivery Charge	\$ 6.6390		\$ 2.34
GCR Factor	703.0	Mcf	\$ 10.9709	GCR Factor	\$ 10.9709		\$ -
Customer Charge	12	Months	\$ 18.00	Customer Charge	\$ 18.00		\$ -
Annual Bill/Effect on Annual Bill			<u>\$ 12,778.82</u>		<u>\$ 14,380.47</u>	<u>\$ 1,601.64</u>	12.5%
Effect on Average Monthly Bill						<u>\$ 133.47</u>	

Municipal Heating

<u>Unit Costs</u>	<u>Annual Usage</u>	<u>Unit</u>	<u>Current Rates</u>		<u>Proposed Rate Change Update</u>	<u>Change In Annual Bill</u>	<u>Change In Rate</u>
Surcharges	1,810.0	Mcf	\$ 2.6042	Surcharges	\$ 2.5387		\$ (0.07)
Delivery Charge	1,810.0	Mcf	\$ 3.1470	Delivery Charge	\$ 4.9416		\$ 1.79
GCR Factor	1,810.0	Mcf	\$ 10.9709	GCR Factor	\$ 10.9709		\$ -
Customer Charge	12	Months	\$ 18.00	Customer Charge	\$ 18.00		\$ -
Annual Bill/Effect on Annual Bill			<u>\$ 30,483.00</u>		<u>\$ 33,612.67</u>	<u>\$ 3,129.67</u>	10.3%
Effect on Average Monthly Bill						<u>\$ 260.81</u>	

Philadelphia Gas Works' Base Rate Filing

III. BALANCE SHEET AND OPERATING STATEMENT

III.E.21. If a gas company is affiliated with another utility segment, such as a water or electric segment, explain the effects, if any, upon allocation factors used in the gas rate filing of current or recent rate increases allowed to the other utility segment (or segments) of the company.

RESPONSE: Not applicable.

Philadelphia Gas Works' Base Rate Filing

III. BALANCE SHEET AND OPERATING STATEMENT

III.E.22. Provide supporting data detailing curtailment adjustments, procedures and policies.

RESPONSE: Not applicable.

Philadelphia Gas Works' Base Rate Filing

III. BALANCE SHEET AND OPERATING STATEMENT

III.E.23. Submit a schedule showing fuel cost in excess of base compared to fuel cost recovery for the period two months prior to test year and the test year.

RESPONSE:

Please see the attached schedules.

GCR
STATEMENT OF RECONCILIATION

September 2005 - August 2006

		NET COST OF FUEL	FIRM SALES	IRC FACTOR APPLIED	INTERRUPTIBLE REVENUE CREDIT	APPLICABLE EXPENSES	GCR FACTOR APPLIED	GCR REVENUE BILLED	MONTHLY OVER/(UNDER) RECOVERY	NATURAL GAS REFUNDS	CUMULATIVE OVER/(UNDER) RECOVERY
		1	2	3	4 = (2 * 3)	5 = (1 - 3)	6	7	8 = (7 - 5)	9	10
		\$	MCF	\$	\$	\$	\$	\$	\$	\$	\$
2004-2005 OVER-COLLECTION											21,368,705
2004-2005 INTEREST											<u>121,542</u>
TOTAL "E" FACTOR											21,490,247
SEPTEMBER 2005	Actual	19,154,304	1,324,674	0.1839	243,608	18,910,696	9.3527	12,315,821	(6,594,875)	51,344	14,946,715
OCTOBER	Actual	38,947,392	1,464,380	0.1957	286,579	38,660,813	10.6274	15,702,656	(22,958,157)	0	(8,011,442)
NOVEMBER	Actual	53,167,889	3,381,901	0.1960	662,853	62,505,036	12.5632	42,217,575	(20,287,461)	16	(28,298,887)
DECEMBER	Actual	125,598,494	7,388,559	0.1960	1,448,158	124,150,336	12.5632	92,795,057	(31,355,279)	0	(59,654,167)
JANUARY 2006	Actual	96,871,550	8,217,693	0.1960	1,610,667.92	95,260,882	12.5632	103,216,744	7,955,862	186,076	(51,512,229)
FEBRUARY	Actual	92,407,914	7,692,045	0.1960	1,507,640.90	90,900,273	12.5632	96,588,479	5,688,206	0	(45,824,023)
MARCH	Actual	72,625,165	7,273,912	0.1960	1,425,686.77	71,199,478	12.5632	91,370,401	20,170,923	0	(25,653,100)
APRIL	Estimated	36,681,092	5,004,866	0.1960	980,953.72	35,700,138	12.5632	62,877,128	27,176,989	0	1,523,890
MAY	Estimated	20,808,505	2,400,858	0.1960	470,568.21	20,337,937	12.5632	30,162,455	9,824,519	0	11,348,409
JUNE	Estimated	14,901,777	1,575,755	0.1960	308,847.92	14,592,929	12.5632	19,796,521	5,203,592	0	16,552,001
JULY	Estimated	15,640,830	1,303,399	0.1960	255,466.19	15,385,364	12.5632	16,374,859	989,495	0	17,541,497
AUGUST	Estimated	<u>15,490,764</u>	<u>1,244,112</u>	0.1960	<u>243,845.95</u>	<u>15,246,918</u>	12.5632	<u>15,630,025</u>	<u>383,107</u>	0	<u>17,924,605</u>
Total		612,295,676	48,272,154		9,444,876	602,850,802		599,047,722	(3,803,080)	237,436	17,924,605

GCR

STATEMENT OF RECONCILIATION

September 2006 - August 2007

		NET COST OF FUEL 1	FIRM SALES 2	IRC FACTOR APPLIED 3	INTERRUPTIBLE REVENUE CREDIT 4=(2*3)	GCR APPLICABLE EXPENSES 5=(1-4)	GCR FACTOR APPLIED 6	GCR REVENUE BILLED 7	OVER/(UNDER) RECOVERY 8=(7-5)	E FACTOR DISTRIBUTED ON GCR 9	CUMULATIVE OVER/(UNDER) RECOVERY 10
		\$	MCF	\$	\$	\$	\$	\$	\$	\$	\$
2005-2006 OVER-COLLECTION										17,924,605	
2006 INTEREST										<u>(954,161)</u>	
	TOTAL "E" FACTOR									16,970,444	
<u>2006-2007</u>											
September	Estimated	16,380,821	1,127,826	0.1428	161,022	16,219,799	11.7675	13,271,713	(2,948,085)	369,124	(2,578,962)
October	Estimated	29,921,323	1,778,276	0.1428	253,888	29,667,435	10.9532	19,477,810	(10,189,624)	582,008	(12,186,579)
November	Estimated	56,282,720	3,925,843	0.1428	560,500	55,722,220	10.9532	43,000,547	(12,721,673)	1,284,880	(23,623,372)
December	Estimated	92,773,677	6,715,593	0.1428	958,799	91,814,878	10.9532	73,557,232	(18,257,647)	2,197,930	(39,683,089)
January	Estimated	114,448,658	10,349,574	0.1428	1,477,629	112,971,029	10.9532	113,360,959	389,931	3,387,287	(35,905,871)
February	Estimated	92,508,448	9,296,159	0.1428	1,327,231	91,181,217	10.9532	101,822,689	10,641,472	3,042,517	(22,221,882)
March	Estimated	76,796,353	7,219,999	0.1428	1,030,814	75,765,540	10.9532	79,082,095	3,316,556	2,363,016	(16,542,310)
April	Estimated	39,951,186	4,935,714	0.1428	704,682	39,246,504	10.9532	54,061,859	14,815,355	1,615,398	(111,558)
May	Estimated	23,449,433	2,387,457	0.1428	340,862	23,108,571	10.9532	26,150,291	3,041,719	781,385	3,711,546
June	Estimated	16,597,380	1,575,108	0.1428	224,881	16,372,499	10.9532	17,252,470	879,971	515,513	5,107,030
July	Estimated	17,121,344	1,299,641	0.1428	185,552	16,935,791	10.9532	14,235,231	(2,700,561)	425,356	2,831,826
August	Estimated	<u>17,004,874</u>	<u>1,240,595</u>	0.1428	<u>177,122</u>	<u>16,827,752</u>	10.9532	<u>13,588,480</u>	<u>(3,239,272)</u>	<u>406,031</u>	(1,414)
TOTAL		593,236,216	51,851,785		7,402,983	585,833,234		568,861,376	(16,971,858)	16,970,444	(1,414)

Philadelphia Gas Works' Base Rate Filing

III. BALANCE SHEET AND OPERATING STATEMENT

III.E.24. Supply a detailed analysis of Purchased Gas for the test year and the twelve month period prior to the test year.

RESPONSE:

Please see attached.

**PROJECTED APPLICABLE FUEL EXPENSE
SUMMARY
SEPTEMBER 2005 - AUGUST 2006**

	Actual SEP	Actual OCT	Actual NOV	Actual DEC	Actual JAN	Actual FEB	Actual MAR	Actual APR	Actual MAY	Actual JUN	Actual JUL	Actual AUG	TOTAL
DEMAND CHARGES	4,933,066	5,022,174	5,715,023	5,626,800	5,647,084	5,521,297	5,353,913	5,019,972	4,630,958	4,786,569	4,093,850	4,743,503	61,094,008
COMMODITY CHARGES	31,359,734	61,959,778	75,260,077	101,805,693	71,851,465	56,501,600	57,335,456	24,914,388	26,889,923	26,148,785	24,983,963	23,633,819	582,644,681
TOTAL NATURAL GAS BILLED	36,292,799	66,981,952	80,975,099	107,432,293	77,498,549	62,022,897	62,689,369	29,934,360	31,520,881	30,935,354	29,077,813	28,377,322	643,736,688
INTERRUPTIBLE CREDIT	(1,428,600)	(2,056,828)	(3,440,341)	(4,054,403)	(5,926,499)	(1,975,673)	(2,778,082)	(1,860,923)	(1,235,191)	(762,152)	(617,477)	(1,074,465)	(27,209,634)
SENDOUT VOLUME IN MCF	127,971	149,377	252,380	334,535	496,278	191,802	263,725	245,858	137,206	90,343	97,522	106,381	2,493,378
DKT CONVERSION FACTOR	1.0380	1.0380	1.0380	1.0380	1.0380	1.0380	1.0380	1.0380	1.0380	1.0380	1.0380	1.0380	1.0380
PRICE \$/DKT	10.755	13.259	13.133	11.676	11.505	9.923	10.300	7.889	7.259	7.263	7.583	7.522	
NATURAL GAS TO STORAGE	16,376,337	22,116,800	15,864,185	1,940,072	1,147,009	1,280,509	5,412,563	4,298,143	13,003,297	12,288,092	15,480,450	13,428,345	122,835,802
FROM STORAGE	706,690	1,686,774	6,757,387	24,746,914	25,443,567	32,406,751	17,020,220	4,958,310	134,227	1,998	-	-	113,860,738
NET NATURAL GAS STORAGE	(15,669,747)	(20,430,026)	(9,106,798)	22,805,842	24,296,558	31,125,242	11,607,657	660,167	(12,869,070)	(12,286,094)	(15,480,450)	(13,428,345)	(8,775,064)
LNG TO STORAGE	450,024	6,095,104	5,922,389	2,149,762	64,786	-	497	1,137,593	2,042,496	689,947	(52,599)	-	18,499,999
FROM STORAGE	384,229	524,261	710,822	1,630,099	1,126,305	1,265,164	1,158,858	685,571	602,492	551,830	570,881	534,558	9,745,070
NET LNG STORAGE	(65,795)	(5,570,843)	(5,211,567)	(519,663)	1,061,519	1,265,164	1,158,361	(452,022)	(1,440,004)	(138,117)	623,480	534,558	(8,754,929)
NET NATURAL GAS EXPENSE	19,128,657	38,925,255	63,216,393	125,664,069	96,930,127	92,437,630	72,677,305	28,281,582	15,976,616	17,748,991	13,603,366	14,409,070	598,999,061
APPLICABLE GCR EXPENSE													
NET NATURAL GAS EXPENSE	19,128,657	38,925,255	63,216,393	125,664,069	96,930,127	92,437,630	72,677,305	28,281,582	15,976,616	17,748,991	13,603,366	14,409,070	598,999,061
PURCHASED ELECTRIC	78,774	82,404	75,503	88,222	101,254	83,137	94,981	90,530	77,693	85,689	52,326	72,072	982,585
GAS USED FOR UTILITY	(465,183)	(466,721)	(637,196)	(1,280,171)	(1,586,706)	(1,278,212)	(1,170,291)	(359,712)	(25,074)	(45,604)	(139,304)	(124,787)	(7,558,961)
TOTAL APPLICABLE EXPENSES	18,742,248	38,540,938	62,654,700	124,472,120	95,464,675	91,242,555	71,601,995	28,012,400	16,029,236	17,789,076	13,516,388	14,356,355	592,422,685

PROJECTED APPLICABLE FUEL EXPENSE
SUMMARY
SEPTEMBER 2006 - AUGUST 2007

	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	TOTAL
DEMAND CHARGES	5,162,913	5,151,024	5,775,012	5,895,648	5,952,510	5,884,022	5,880,061	5,439,866	5,413,472	5,424,546	5,413,474	5,412,677	56,806,125
COMMODITY CHARGES	21,270,552	30,313,716	36,407,929	62,292,827	75,161,719	59,208,063	56,374,128	54,582,064	48,541,627	38,861,365	38,256,094	37,620,255	558,890,338
TOTAL NATURAL GAS BILLED	26,433,465	35,464,740	42,183,941	68,188,375	81,114,229	65,092,085	62,254,189	60,021,930	53,955,099	44,285,911	43,669,568	43,032,932	625,696,463
INTERRUPTIBLE CREDIT	(897,928)	(1,765,661)	(3,030,877)	(4,929,167)	(5,884,854)	(4,802,007)	(4,153,059)	(2,338,701)	(1,239,207)	(816,891)	(899,998)	(918,220)	(31,676,568)
SENDOUT VOLUME IN MCF	113,254	208,339	331,109	498,728	571,180	478,671	413,303	256,044	141,731	93,947	102,261	105,125	3,313,688
DKT CONVERSION FACTOR	1.0380	1.0380	1.0380	1.0380	1.0380	1.0380	1.0380	1.0380	1.0380	1.0380	1.0380	1.0380	1.0380
PRICE \$/DKT	7.638	8.165	8.819	9.522	9.926	9.665	9.681	8.800	8.423	8.377	8.479	8.415	
NATURAL GAS TO STORAGE	7,239,914	338,286	1,606,648	-	-	-	-	15,791,387	27,186,807	26,677,878	26,222,394	25,702,112	130,765,427
FROM STORAGE	-	-	22,429,540	31,608,911	38,798,827	31,951,443	20,999,936	-	-	-	-	-	145,788,657
NET NATURAL GAS STORAGE	(7,239,914)	(338,286)	20,822,892	31,608,911	38,798,827	31,951,443	20,999,936	(15,791,387)	(27,186,807)	(26,677,878)	(26,222,394)	(25,702,112)	15,023,231
LNG TO STORAGE	2,461,826	3,922,325	3,875,238	2,688,668	-	-	2,076,586	2,045,138	2,519,384	646,045	-	-	20,235,211
FROM STORAGE	619,659	643,512	624,615	1,422,855	1,691,890	1,403,658	659,458	643,905	665,955	644,370	665,885	665,992	10,351,754
NET LNG STORAGE	(1,842,167)	(3,278,813)	(3,250,623)	(1,265,813)	1,691,890	1,403,658	(1,417,128)	(1,401,233)	(1,853,428)	(1,675)	665,885	665,992	(9,883,457)
NET NATURAL GAS EXPENSE	16,453,455	30,081,980	56,725,333	93,602,306	115,720,092	93,645,179	77,683,938	40,490,607	23,675,657	16,789,468	17,213,062	17,078,592	599,159,670
APPLICABLE GCR EXPENSE													
NET NATURAL GAS EXPENSE	16,453,455	30,081,980	56,725,333	93,602,306	115,720,092	93,645,179	77,683,938	40,490,607	23,675,657	16,789,468	17,213,062	17,078,592	599,159,669
PURCHASED ELECTRIC	82,200	86,000	78,800	92,000	150,500	106,000	93,500	78,200	81,500	21,700	95,600	106,000	1,072,000
GAS USED FOR UTILITY	(154,834)	(246,657)	(521,413)	(920,629)	(1,421,934)	(1,242,731)	(981,085)	(617,621)	(307,724)	(213,788)	(187,318)	(179,718)	(6,995,453)
TOTAL APPLICABLE EXPENSES	16,380,821	29,921,323	56,282,720	92,773,677	114,448,658	92,508,448	76,796,353	39,951,186	23,449,433	16,597,380	17,121,344	17,004,874	593,236,216
TOTAL FIRM SALES	1,140,877	1,798,853	3,971,271	6,793,302	10,469,334	9,403,729	7,303,545	4,992,827	2,415,083	1,593,334	1,314,680	1,254,950	52,451,785

Philadelphia Gas Works' Base Rate Filing

III. BALANCE SHEET AND OPERATING STATEMENT

III.E.25. Submit calculations supporting energy cost per MCF and operating ratio used to determine increase in costs other than production to serve additional load.

RESPONSE: Not available.

Philadelphia Gas Works' Base Rate Filing

III. BALANCE SHEET AND OPERATING STATEMENT

III.E.26. Submit detailed calculations for bulk gas transmission service costs under supply and/or interconnection agreements.

RESPONSE:

PGW does not have bulk gas transmission service under supply and/or interconnection agreements.

Philadelphia Gas Works' Base Rate Filing

III. BALANCE SHEET AND OPERATING STATEMENT

III.E.27. Submit a schedule for gas producing units retired or scheduled for retirement subsequent to the test year showing station, units, MCF capacity, hours of operation during test year, net output produced and cents/MCF of maintenance and fuel expenses.

RESPONSE: Not applicable.

Philadelphia Gas Works' Base Rate Filing

III. BALANCE SHEET AND OPERATING STATEMENT

III.E.28. Provide a statement explaining the details of firm gas purchase (long-term) contracts with affiliated and nonaffiliated utilities, including determination of costs, terms of contract, and other pertinent information.

RESPONSE:

PGW does not have firm gas purchase contracts with any utilities. PGW does not have an affiliate.

Philadelphia Gas Works' Base Rate Filing

III. BALANCE SHEET AND OPERATING STATEMENT

III.E.29. Provide intrastate operations percentages by expense categories for two years prior to the test year.

RESPONSE: Not applicable.

Philadelphia Gas Works' Base Rate Filing

III. BALANCE SHEET AND OPERATING STATEMENT

III.E.30. Provide a schedule showing suppliers, MCF purchased, cost (small purchases from independent suppliers may be grouped); emergency purchases, listing same information; curtailments during the year; gas put into and taken out of storage; line loss, and any other gas input or output not in the ordinary course of business.

RESPONSE:

Please see attached test year data.

	<u>MCF</u> <u>@1038 BTU</u>	<u>COSTS</u>
Spot Purchases - Transco	23,164,198	\$ 227,190,408
Transco Supply 2	1,770,908	\$ 18,600,823
Transco Supply 3	894,558	\$ 8,383,244
Transco Supply 7	7,557,489	\$ 71,639,563
Transco Supply 8	563,868	\$ 4,745,247
Transco Supply 10	6,234,083	\$ 58,890,951
Transco Supply 14	846,250	\$ 9,710,886
Spot Purchases - Tetco	14,071,399	\$ 146,712,862
Tetco Supply 1	<u>1,163,023</u>	<u>\$ 12,105,156</u>
Total City Gate Delivered	56,265,776	\$ 557,979,139
Storage Injection Charges		<u>\$ 335,504</u>
Total Gas Cost		\$ 558,314,643
Storage Injected	14,049,280	\$ 130,765,427
LNG Liquified	<u>2,092,426</u>	<u>\$ 20,235,211</u>
To Storage	16,141,706	151,000,638
Storage Withdrawal	17,249,188	\$ 145,788,657
LNG Vaporization	<u>1,145,666</u>	<u>\$ 10,351,754</u>
From Storage	18,394,854	156,140,411
Total Sources	74,660,630	
Gross City Gate Delivered	58,518,924	\$ 563,454,416
Plant Use	<u>749,001</u>	
Total Sendout	57,769,923	
Company Use	702,062	
Line loss or Unaccounted for gas	<u>2,017,566</u>	
Total Gas Sales	55,050,295	

Philadelphia Gas Works' Base Rate Filing

III. BALANCE SHEET AND OPERATING STATEMENT

III.E.31. Provide a schedule showing the determination of the fuel costs included in the base cost of fuel.

RESPONSE:

All of PGW's fuel costs are included in the fuel adjustment clause (GCR). Attached are schedules showing the fuel costs and the calculation of the GCR.

Philadelphia Gas Works

Levelized Gas Cost Rate

Budget Year September 1, 2006

Formula:
 $GCR = SSC + GAC - IRC$

where:

				<u>Total</u>
S = Firm Sales Volume (Mcf)				51,851,785
		<u>Demand</u>	<u>Commodity</u>	
Net Natural Gas Expense	\$	66,806,125	\$ 525,358,091	\$ 592,164,216
Purchased Electric Expense	\$		\$ 1,072,000	\$ 1,072,000
C = Total Applicable GCR Expense	\$	66,806,125	\$ 526,430,091	\$ 593,236,216
SSC = C / S	\$	1.2884	\$ 10.1526	\$ 11.4410
Adjustment For:				
Interest	\$	254,892	\$ 699,269	\$ 954,161
Prior Year Reconciliation	\$	(6,166,977)	\$ (11,757,628)	\$ (17,924,605)
E = Adjustments to GCR Expenses	\$	(5,912,086)	\$ (11,058,359)	\$ (16,970,444)
GAC = E / S	\$	(0.1140)	\$ (0.2133)	\$ (0.3273)
Interruptible Revenue Credit				\$ 7,402,983
IRC = Interruptible Revenue Credit / S				\$ 0.1428
Net Applicable GCR Expenses = C + E - Interruptible Revenue Credit				\$ 568,862,790
<u>GCR = SSC + GAC - IRC</u>				\$ 10.9709
SSC in effect 09/01/06	\$	1.2863	\$ 10.1362	\$ 11.4225
GAC in effect 09/01/06	\$	(0.1138)	\$ (0.2130)	\$ (0.3268)
IRC in effect 09/01/06				\$ (0.1425)
GCR in effect 9/01/06				\$ 10.9532
Recovery Test on:				
Firm Sales Volume (Mcf)				51,851,785
= Total Projected Recovery				\$ 568,861,376
Compared To				
Net Applicable GCR Expenses				\$ 568,862,790
= Net Over/(Under) Recovery				\$ (1,414)
Degree Days				4,525

**PROJECTED APPLICABLE FUEL EXPENSE
SUMMARY
SEPTEMBER 2006 - AUGUST 2007**

	<u>SEP</u>	<u>OCT</u>	<u>NOV</u>	<u>DEC</u>	<u>JAN</u>	<u>FEB</u>	<u>MAR</u>	<u>APR</u>	<u>MAY</u>	<u>JUN</u>	<u>JUL</u>	<u>AUG</u>	<u>TOTAL</u>
DEMAND CHARGES	5,162,913	5,161,024	5,776,012	5,895,548	5,952,510	5,884,022	5,880,061	5,439,866	5,413,472	5,424,546	5,413,474	5,412,677	66,806,125
COMMODITY CHARGES	21,270,552	30,313,716	36,407,929	62,292,827	75,161,719	59,208,063	56,374,128	54,582,064	48,541,627	38,861,365	38,256,094	37,620,255	558,890,338
TOTAL NATURAL GAS BILLED	26,433,465	35,464,740	42,183,941	68,188,375	81,114,229	65,092,085	62,254,189	60,021,930	53,955,099	44,285,911	43,669,568	43,032,932	625,696,463
INTERRUPTIBLE CREDIT	(897,928)	(1,765,661)	(3,030,877)	(4,929,167)	(5,884,854)	(4,802,007)	(4,153,059)	(2,338,701)	(1,239,207)	(816,891)	(899,998)	(918,220)	(31,676,568)
SENDOUT VOLUME IN MCF	113,254	208,339	331,109	498,726	571,180	478,671	413,303	256,044	141,731	93,947	102,261	105,125	3,313,688
DKT CONVERSION FACTOR	1.0380	1.0380	1.0380	1.0380	1.0380	1.0380	1.0380	1.0380	1.0380	1.0380	1.0380	1.0380	
PRICE \$/DKT	7.638	8.165	8.819	9.522	9.926	9.665	9.661	8.800	8.423	8.377	8.479	8.415	
NATURAL GAS TO STORAGE	7,239,914	338,286	1,606,648	-	-	-	-	15,791,387	27,186,807	26,677,878	26,222,394	25,702,112	130,765,427
FROM STORAGE	-	-	22,429,540	31,608,911	38,798,827	31,951,443	20,999,936	-	-	-	-	-	145,788,657
NET NATURAL GAS STORAGE	(7,239,914)	(338,286)	20,822,892	31,608,911	38,798,827	31,951,443	20,999,936	(15,791,387)	(27,186,807)	(26,677,878)	(26,222,394)	(25,702,112)	15,023,231
LNG TO STORAGE	2,461,826	3,922,325	3,875,238	2,688,668	-	-	2,076,586	2,045,138	2,519,384	646,045	-	-	20,235,211
FROM STORAGE	619,659	643,612	624,615	1,422,855	1,691,890	1,403,658	659,458	643,905	665,955	644,370	665,885	665,992	10,351,754
NET LNG STORAGE	(1,842,167)	(3,278,813)	(3,250,623)	(1,265,813)	1,691,890	1,403,658	(1,417,128)	(1,401,233)	(1,853,428)	(1,675)	665,885	665,992	(9,883,457)
NET NATURAL GAS EXPENSE	16,453,455	30,081,980	56,725,333	93,602,306	115,720,092	93,645,179	77,683,938	40,490,607	23,675,657	16,789,468	17,213,062	17,078,592	599,159,670
APPLICABLE GCR EXPENSE													
NET NATURAL GAS EXPENSE	16,453,455	30,081,980	56,725,333	93,602,306	115,720,092	93,645,179	77,683,938	40,490,607	23,675,657	16,789,468	17,213,062	17,078,592	599,159,669
PURCHASED ELECTRIC	82,200	86,000	78,800	92,000	150,500	106,000	93,500	78,200	81,500	21,700	95,600	106,000	1,072,000
GAS USED FOR UTILITY	(154,834)	(246,657)	(521,413)	(920,629)	(1,421,934)	(1,242,731)	(981,085)	(617,621)	(307,724)	(213,788)	(187,318)	(179,718)	(6,995,453)
TOTAL APPLICABLE EXPENSES	16,380,821	29,921,323	56,282,720	92,773,677	114,448,658	92,508,448	76,796,353	39,951,186	23,449,433	16,597,380	17,121,344	17,004,874	593,236,216
TOTAL FIRM SALES	1,140,877	1,798,853	3,971,271	6,793,302	10,469,334	9,403,729	7,303,545	4,992,827	2,415,083	1,593,334	1,314,680	1,254,950	52,451,785

Philadelphia Gas Works' Base Rate Filing

III. BALANCE SHEET AND OPERATING STATEMENT

III.E.32. Provide a schedule showing the calculation of any deferred fuel costs shown in Account 174. Also, explain the accounting, with supporting detail, for any associated income taxes.

RESPONSE: Not applicable

Philadelphia Gas Works' Base Rate Filing

III. BALANCE SHEET AND OPERATING STATEMENT

III.E.33. Submit a schedule showing maintenance expenses, gross plant and the relation of maintenance expenses thereto as follows:

III.E.33.(i) Gas Production Maintenance Expenses per MCF production, per \$1,000 MCF production, and per \$1,000 of Gross Production Plant;

III.E.33.(ii) Transmission Maintenance Expenses per MMCF mile and per \$1,000 of Gross Transmission Plant;

III.E.33.(iii) Distribution Maintenance Expenses per customer and per \$1,000 of Gross Distribution Plant;

III.E.33.(iv) Storage Maintenance Expenses per MMCF of Storage Capacity and \$1,000 of Gross Storage Plant. This schedule shall include three years prior to the test year, the test year and one year's projection beyond the test year.

RESPONSE:

PHILADELPHIA GAS WORKS
SCHEDULE OF MAINTENANCE EXPENSES AND GROSS PLANT

	TWELVE MONTHS ENDED AUGUST 31,			
	2007	2006	2005	2004
1) Gas Production Maintenance Expenses	\$584,880	\$493,704	\$428,860	\$406,560
Gross Plant Production	\$46,836,371	\$47,032,436	\$48,378,177	\$48,678,778
Per Mcf Production	N/A	N/A	N/A	N/A
Per \$1000 Mcf Production	N/A	N/A	N/A	N/A
Per \$1000 of Gross Production Plant	\$12.49	\$10.50	\$8.86	\$8.35
2) Transmission Maintenance Expenses	\$602,876	\$607,147	\$687,055	\$693,791
Gross Transmission Expenses	\$0	\$0	\$0	\$0
Per Mmcf mile	N/A	N/A	N/A	N/A
Per \$1000 of Gross Transmission Plant	N/A	N/A	N/A	N/A
3) Distribution Maintenance Expense	\$12,867,821	\$11,179,204	\$11,276,001	\$11,244,481
Gross Distribution Plant	\$1,253,056,835	\$1,188,560,971	\$1,150,258,514	\$1,113,332,318
Total Customers	505,659	486,000	497,000	499,000
Per Customer	\$25.45	\$23.00	\$22.69	\$22.53
Per \$1000 of Gross Distribution Plant	\$10.27	\$9.41	\$9.80	\$10.10
4) Storage Maintenance Expense	\$6,323,814	\$6,311,559	\$9,232,990	\$6,447,995
Gross Storage Plant	\$126,879,160	\$115,703,446	\$117,502,940	\$109,215,941
Maximum Gross Storage Capacity (Mmcf)	4,299	4,299	4,299	4,299
Per Mmcf of Storage Capacity	\$1,470.96	\$1,468.11	\$2,147.66	\$1,499.85
Per \$1000 of Gross Storage Plant	\$49.84	\$54.55	\$78.58	\$59.04

PGW does not project maintenance and gross plant expenses in this detail beyond the test year.

Philadelphia Gas Works' Base Rate Filing

III. BALANCE SHEET AND OPERATING STATEMENT

III.E.34. Prepare a 3-column schedule of expenses, as described below for the following periods (supply sub-accounts, if significant, to clarify basic accounts):

III.E.34.a. Column 1—Test Year

III.E.34.b. Column 2 and 3—The two previous years

Provide the annual recorded expense by accounts. (Identify all accounts used but not specifically listed below.)

*NATURAL GAS PRODUCTION
EXPENSES
NATURAL GAS PRODUCTION AND
GATHERING*

OPERATION

- 750 Operation supervision and engineering
- 751 Production maps and records
- 752 Gas wells expenses
- 753 Field lines expenses
- 754 Field compressor station expenses
- 755 Field compressor station fuel and power
- 756 Field measuring and regulating station expenses
- 757 Purification expenses
- 758 Gas well royalties
- 759 Other expenses
- 760 Rents
- Total

MAINTENANCE

- 761 Maintenance supervision and engineering
- 762 Maintenance of structures and improvements
- 763 Maintenance of producing gas wells
- 764 Maintenance of field lines
- 765 Maintenance of field compressor station equipment
- 766 Maintenance of field measuring and regulating station equipment
- 767 Maintenance of purification equipment
- 768 Maintenance of drilling and cleaning equipment
- 769 Maintenance of other equipment
- Total
- Total Natural Gas Production and Gathering

Philadelphia Gas Works' Base Rate Filing

III. BALANCE SHEET AND OPERATING STATEMENT

PRODUCTS EXTRACTION

OPERATION

770	Operation supervision and engineering
771	Operation labor
772	Gas shrinkage
773	Fuel
774	Power
775	Materials
776	Operation supplies and expenses
777	Gas processed by others
778	Royalties on products extracted
779	Marketing expenses
780	Products purchased for resale
781	Variation in products inventory
782	Extracted products used by the utility—Credit
783	Rents
	Total

MAINTENANCE

784	Maintenance supervision and engineering
785	Maintenance of structures and improvements
786	Maintenance of extraction and refining equipment
787	Maintenance of pipe lines
788	Maintenance of extracted products storage equipment
789	Maintenance of compressor equipment
790	Maintenance of gas measuring and regulating equipment
791	Maintenance of other equipment
	Total
	Total Products Extraction

***EXPLORATION AND
DEVELOPMENT EXPENSES***

OPERATION

795	Delay rentals
796	Nonproductive well drilling
797	Abandoned leases
798	Other exploration
	Total Exploration and Development

OTHER GAS SUPPLY EXPENSES

Philadelphia Gas Works' Base Rate Filing

III. BALANCE SHEET AND OPERATING STATEMENT

OPERATION

- 800 Natural gas well head purchases
- 801 Natural gas field line purchases
- 802 Natural gas gasoline plant outlet purchases
- 803 Natural gas transmission line purchases
- 804 Natural gas city gate purchases
- 805 Other gas purchases
- 806 Exchange gas
- 807 Purchased gas expenses
- 808 Gas withdrawn from storage—Debit
- 809 Gas delivered to storage—Credit
- 810 Gas used for compressor station fuel—Credit
- 811 Gas used for other products extraction—Credit
- 812 Gas used for other utility operations—Credit
- 813 Other gas supply expenses
- Total
- Total Other Gas Supply Expenses
- Total Production Expenses

UNDERGROUND STORAGE EXPENSES

OPERATION

- 814 Operation supervision and engineering
- 815 Maps and records
- 816 Wells expenses
- 817 Lines expenses
- 818 Compressor station expenses
- 819 Compressor station fuel and power
- 820 Measuring and regulating station expenses
- 821 Purification expenses
- 822 Exploration and development
- 823 Gas losses
- 824 Other expenses
- 825 Storage wells royalties
- 826 Rents
- Total

MAINTENANCE

- 830 Maintenance supervision and engineering
- 831 Maintenance of structures and improvements
- 832 Maintenance of reservoirs and wells
- 833 Maintenance of lines
- 834 Maintenance of compressor station equipment
- 835 Maintenance of measuring and regulating station equipment
- 836 Maintenance of purification equipment

Philadelphia Gas Works' Base Rate Filing

III. BALANCE SHEET AND OPERATING STATEMENT

- 837 Maintenance of other equipment
 - Total
 - Total Underground Storage Expenses

OTHER STORAGE EXPENSES

OPERATION

- 840 Operation supervision and engineering
- 841 Operation labor and expenses
- 842 Rents
 - 842.1 Fuel
 - 842.2 Power
 - 842.3 Gas Losses
- Total

MAINTENANCE

- 843 Maintenance supervision and engineering
- 844 Maintenance of structures and improvements
- 845 Maintenance of gas holders
- 846 Maintenance of purification equipment
- 847 Maintenance of liquefaction equipment
- 848 Maintenance of vaporizing equipment
 - 848.1 Maintenance of compressor equipment
 - 848.2 Maintenance of measuring and regulating equipment
 - 848.3 Maintenance of other equipment
- Total
- Total Other Storage Expenses

TRANSMISSION EXPENSES

OPERATION

- 850 Operation supervision and engineering
- 851 System control and load dispatching
- 852 Communications system expenses
- 853 Compressor station labor and expenses
- 854 Gas for compressor station fuel
- 855 Other fuel and power for compressor stations
- 856 Mains expenses
- 857 Measuring and regulating station expenses
- 858 Transmission and compression of gas by others
- 859 Other expenses
- 860 Rents
 - Total

Philadelphia Gas Works' Base Rate Filing

III. BALANCE SHEET AND OPERATING STATEMENT

MAINTENANCE

- 861 Maintenance supervision and engineering
- 862 Maintenance of structures and improvements
- 863 Maintenance of mains
- 864 Maintenance of compressor station equipment
- 865 Maintenance of measuring and regulating station equipment
- 866 Maintenance of communication equipment
- 867 Maintenance of other equipment
- Total
- Total Transmission Expenses

DISTRIBUTION EXPENSES

OPERATION

- 870 Operation supervision and engineering
- 871 Distribution load dispatching
- 872 Compressor station labor and expenses
- 873 Compressor station fuel and power
- 874 Mains and services expenses
- 875 Measuring and regulating station expenses—General
- 876 Measuring and regulating station expenses—Industrial
- 877 Measuring and regulating station expenses—City gate check stations
- 878 Meter and house regulator expenses
- 879 Customer installations expenses
- 880 Other expenses
- 881 Rents
- Total

MAINTENANCE

- 885 Maintenance supervision and engineering
- 886 Maintenance of structures and improvements
- 887 Maintenance of mains
- 888 Maintenance of compressor station equipment
- 889 Maintenance of measuring and regulating station equipment—General
- 890 Maintenance of measuring and regulating station equipment—Industrial
- 891 Maintenance of measuring and regulating station equipment—City gate check station
- 892 Maintenance of services
- 893 Maintenance of meters and house regulators
- 894 Maintenance of other equipment
- Total
- Total Distribution Expenses

CUSTOMER ACCOUNTS EXPENSES

Philadelphia Gas Works' Base Rate Filing

III. BALANCE SHEET AND OPERATING STATEMENT

OPERATION

- 901 Supervision
- 902 Meter reading expenses
- 903 Customer records and collection expenses
- 904 Uncollectible accounts
- 905 Miscellaneous customer accounts expenses
- Total Customer Accounts Expenses

CUSTOMER SERVICE EXPENSES

OPERATION

- 909 Supervision
- 910 Customer assistance expenses
- 911 Informational advertising expenses
- 912 Miscellaneous customer service expenses
- Total Customer Service Expenses

SALES PROMOTION EXPENSES

OPERATION

- 915 Supervision
- 916 Demonstrating and selling expenses
- 917 Promotional advertising expenses
- 918 Miscellaneous sales promotion expenses
- Total Sales Promotion Expenses

ADMINISTRATIVE AND GENERAL EXPENSES

OPERATION

- 920 Administrative and general salaries
- 921 Office supplies and expenses
- 922 Administrative expenses transferred—Credit
- 923 Outside service employed
- 924 Property insurance
- 925 Injuries and damages
- 926 Employee pensions and benefits
- 927 Franchise requirements
- 928 Regulatory commission expenses
- 929 Duplicate charges—Credit
- 930.1 Institutional or goodwill advertising expense
- 930.2 Miscellaneous general expense
- 931 Rents
- Total Administrative and General Expenses

Philadelphia Gas Works' Base Rate Filing

III. BALANCE SHEET AND OPERATING STATEMENT

MAINTENANCE

- 932 Maintenance of general plant
 - Total Administrative and General Expense
 - Total Operation Expenses and Purchased Power
 - Total Maintenance Expense
 - Total Operation and Maintenance Expense

RESPONSE:

See the attached schedule, Exh.A. – III.E.34

PHILADELPHIA GAS WORKS
COMPARATIVE OPERATING STATEMENTS
TWELVE MONTHS ENDED AUGUST 31, 2005, 2006 & 2007

OPERATING EXPENSES		August 31, 2007	August 31, 2006	August 31, 2005
STEAM PRODUCTION				
7010	Operational Labor	108,432	184,183	150,792
7020	Boiler Fuel	309,080	608,766	269,183
7030	Miscellaneous	337,318	453,904	463,081
7060	Maintenance of Structures & Improvements	33,326	1,543	1,765
7070	Maintenance of Boiler Plant Equipment	143,980	138,139	141,486
7080	Maintenance of Other Steam Production Equipment	2,710	9,318	10,848
MANUFACTURED GAS PRODUCTION				
7120	Other Power Expenses	1,319,457	1,081,213	1,184,505
7170	LPG Expenses	0	274	0
GAS RAW MATERIAL				
7340	Duplicate Charges Credit	(1,049,584)	(983,039)	(1,057,856)
7350	Miscellaneous Production Expenses	1,051,528	950,930	895,756
7400	Maintenance Supervision and Engineering	0	23,615	31,852
7410	Maintenance of Structures & Improvements	117,643	31,171	15,848
7420	Maintenance of Production Equipment	287,221	289,920	227,060
OTHER GAS SUPPLY EXPENSES				
8040	Natural Gas City Gate Purchase	625,696,226	642,606,292	541,856,144
8072	Purchased Gas Measuring Stations	30,622,087	458,127	339,099
8074	Purchased Gas Calculation Expenses	0	0	273
8075	Purchased Gas Expenses	0	31,267,396	23,937,875
8081	Gas Withdrawn from Storage	156,140,410	123,605,808	88,006,634
8082	Gas Delivered to Storage	(151,000,636)	(141,135,801)	(120,161,961)
8120	Gas Used for Other Utility Operations	(43,522,115)	(44,710,326)	(41,123,048)
8130	Other Gas Supply Expenses	12,151,398	11,406,296	16,672,342
OTHER STORAGE EXPENSES				
8400	Operation Supervision & Engine	728,095	627,370	706,835
8410	Operation Labor & Expense	2,873,923	3,262,591	3,203,757
8421	Fuel	550,592	1,348,509	991,632
8422	Power	653,314	596,347	646,455
8431	Maintenance Supervision & Engineering	1,166,144	777,824	481,962
8432	Maintenance Structures & Improvement	688,393	755,217	563,046
8433	Maintenance Gas Holders	380,745	731,929	1,096,721
8434	Maintenance Purification Equipment	173,748	112,707	182,432
8435	Maintenance Liquefaction Equipment	596,908	1,062,797	1,284,407
8436	Maintenance Vaporizing Equipment	918,570	599,845	899,337
8437	Maintenance Compressor Equipment	1,138,588	1,491,793	4,031,950
8438	Maintenance Measuring & Regulating Equipment	220,820	293,696	233,032
8439	Maintenance Other Equipment	1,039,898	485,750	460,101
TRANSMISSION EXPENSES				
8500	Operation Supervision & Engineering	661,727	589,903	500,413
DISTRIBUTION EXPENSES				
8700	Operation Supervision & Engineering	602,876	607,147	687,054
8710	Load Dispatching	1,114,150	906,501	938,621
8740	Mains & Services Expenses	2,950,072	2,663,794	2,652,848
8750	Measure & Regulate Station Expenses	1,099,127	849,725	967,692
8770	Measure & Regulate Station Expenses	266,172	350,937	320,194
8780	Meter & House Regulator Expenses	18,007,403	18,832,596	10,811,431
8790	Customer Installation Expenses	(547,478)	(207,179)	150,345
8800	Other Expenses	8,671,479	9,545,444	8,798,102
8810	Rents	9,000	5,791	17,941
8850	Maintenance Supervision & Engineering	716,671	332,015	235,728
8870	Maintenance of Mains	6,287,123	5,592,872	5,761,320
8890	Maintenance of Measuring & Regulating	1,343,351	1,100,800	1,151,481
8910	Maintenance of Measuring & Regulating	451,883	304,877	298,481
8920	Maintenance of Services	1,429,827	1,571,370	1,276,395
8930	Maintenance of Meters & House Regulators	2,638,966	2,277,264	2,552,599

PHILADELPHIA GAS WORKS
COMPARATIVE OPERATING STATEMENTS
TWELVE MONTHS ENDED AUGUST 31, 2005, 2006 & 2007

CUSTOMER ACCOUNTS EXPENSES				
9010	Supervision	1,223,769	925,328	972,105
9020	Meter Reading Expenses	1,741,982	756,712	822,704
9030	Customer Records & Collection	24,199,431	23,191,218	25,703,614
9040	Uncollectible Accounts	52,258,000	40,132,000	70,424,000
9080	Customer Assistance Expenses	6,055,100	4,953,979	5,079,593
ADMINISTRATIVE & GENERAL				
9200	Administrative & General Salary	12,257,311	12,797,551	11,558,145
9210	Office Supplies Expense	10,595,787	12,231,343	12,720,249
9220	Administrative Expense Transferred	(19,211,000)	(16,575,960)	(17,054,238)
9230	Outside Services Employed	2,301,000	2,393,042	2,403,699
9240	Property Insurance	1,340,841	380,776	1,235,793
9250	Injuries & Damages	6,424,050	8,270,492	6,530,263
9260	Employee Pension & Benefits	55,952,665	56,190,070	51,088,796
9280	Regulatory Commission Expenses	3,763,000	3,596,012	3,617,576
9290	Duplicate Charges	(6,486,000)	(7,595,535)	(702,378)
9301	General Advertising Expenses	175,000	668,630	119,521
9302	Miscellaneous General Expenses	1,342,000	2,417,397	2,347,038
9310	Rents	243,000	217,938	223,284
MAINTENANCE				
9350	Maintenance General Plant	0	0	453
	TOTAL OPERATING EXPENSES	<u>\$ 843,756,504</u>	<u>\$ 828,708,954</u>	<u>\$ 740,854,207</u>
OTHER EXPENSES				
4030	Depreciation Expenses	38,196,000	34,724,677	35,045,150
4081	Taxes Other than Income Taxes	6,485,000	6,123,822	6,218,300
	TOTAL DEPRECIATION & TAXES	<u>\$ 44,681,000</u>	<u>\$ 40,848,499</u>	<u>\$ 41,263,450</u>
INTEREST EXPENSES				
4270	Interest on Long Term Debt	56,437,000	51,798,880	53,855,919
4280	Amortization of Debt Discount & Expense	4,207,591	3,721,730	3,728,009
4281	Amortization of Loss on Required Debt	5,557,000	5,331,674	4,778,673
4290	Amortization of Premium on Debt	(1,970,778)	(2,057,053)	(2,024,787)
4310	Other Interest Expenses	10,949,187	7,872,991	4,419,928
4320	Allowance for Borrowed Funds Used During Construction	(1,202,000)	(980,835)	(906,565)
	TOTAL INTEREST EXPENSES	<u>\$ 73,978,000</u>	<u>\$ 65,687,387</u>	<u>\$ 63,851,177</u>

Note: Account number 8790, Customer Installation Expense, includes an offset associated with appliance repairs and other revenues. The Philadelphia Gas Works includes these revenues as part of other operating revenue on the income statement.

Philadelphia Gas Works' Base Rate Filing

III. BALANCE SHEET AND OPERATING STATEMENT

III.E.35. Submit a schedule showing the Gross Receipts Tax Base used in computing Pennsylvania Gross Receipts Tax Adjustment.

RESPONSE: Not applicable.

Philadelphia Gas Works' Base Rate Filing

III. BALANCE SHEET AND OPERATING STATEMENT

III.E.36. State the amount of gas, in Mcf, obtained through various suppliers in past years.

RESPONSE:

The following volumes are in MCF.

Calendar 2003:	73,545,955
Calendar 2004:	66,637,458
Calendar 2005:	65,240,403

Philadelphia Gas Works' Base Rate Filing

III. BALANCE SHEET AND OPERATING STATEMENT

III.E.37. In determining pro forma expense, exclude cost of gas adjustments applicable to fuel adjustment clause and exclude fuel adjustment clause revenues, so that the operating statement is on the basis of base rates only.

RESPONSE: Not applicable.

Philadelphia Gas Works' Base Rate Filing

III. BALANCE SHEET AND OPERATING STATEMENT

III.E.38. Identify company's policy with respect to replacing customers lost through attrition.

RESPONSE: The Marketing Department actively pursues all new residential, commercial and major accounts which involve both new construction and rehabilitation projects. The Marketing Department also actively participates in trade organizations nationally and locally in order to receive information about the planning and development of new projects in Philadelphia.

Philadelphia Gas Works' Base Rate Filing

III. BALANCE SHEET AND OPERATING STATEMENT

III.E.39. Identify procedures developed to govern relationship between the respondent and potential customers—*i.e.*, basically expansion, alternate energy requirements, availability of supply, availability of distribution facilities, ownership of metering and related facilities.

RESPONSE: Procedures developed to govern relationship between the respondent and potential customers—*i.e.*, basically expansion, alternate energy requirements, availability of supply, availability of distribution facilities, ownership of metering and related facilities are defined in the Rules and Regulations section of the Gas Service Tariff – Pa. P.U.C. No. 2 (present and proposed). The present and proposed Rules and Regulations sections are provided in response to IV.B.6.

Philadelphia Gas Works Base Rate Filing

IV. RATE STRUCTURE

IV.B.1. Provide a Cost of Service Study showing the rate of return under the present and proposed tariffs for all customer classifications. The study should include a summary of the allocated measures of value, operating revenues, operating expenses and net return for each of the customer classifications at original cost and at the 5-year trended original cost.

RESPONSE: See the testimony of Howard Gorman (PGW St. 8) and the Cost of Service Study.

Philadelphia Gas Works Base Rate Filing

IV. RATE STRUCTURE

IV.B.2. Provide a statement of testimony describing the complete methodology of the cost of service study.

RESPONSE: See the testimony of Howard Gorman (PGW St. 8) and the Cost of Service Study.

Philadelphia Gas Works Base Rate Filing

IV. RATE STRUCTURE

IV.B.3. Provide a complete description and back-up calculations for all allocation factors.

RESPONSE: See the testimony of Howard Gorman (PGW St. 8) and the Cost of Service Study.

Philadelphia Gas Works Base Rate Filing

IV. RATE STRUCTURE

IV.B.4. Provide an exhibit for each customer classification showing the following data for the test year and the four previous years:

IV.B.4.a. The maximum coincident peak day demand.

IV.B.4.b. The maximum coincident 3-day peak day demand.

IV.B.4.c. The average monthly consumption in MCF during the Primary Heating Season (November-March).

IV.B.4.d. The average monthly consumption in MCF during the Non-heating season (April-October).

IV.B.4.e. The average daily consumption in MCF for each 12-month period.

RESPONSE:

Please see attached.

PEAK DAY HISTORY

PREVIOUS FIVE YEARS

<u>FISCAL YEAR</u>	<u>DATE</u>	<u>DEGREE F AVG TEMP</u>	<u>MCF SENDOUT</u>	<u>N.G.</u>	<u>L.N.G.</u>
2002-2003	01/23/03	16	616,928	445,948	170,980
2003-2004	01/10/04	13	620,413	434,420	185,993
2004-2005	01/18/05	15	591,133	455,735	135,398
2005-2006	12/14/05	21	490,906	450,895	40,011
2006-2007*	01/01/07	15	553,660	471,204	82,456

* FY 0607 Peak Day is based on the FY 07 4,525 Degree Day Budget.

155 Exh.A-IV.B.4. (b)

3 DAY PEAK ANALYSIS

Winter Peak Season	Date	Average Temperature	Hi Temperature	Low Temperature	Total Sendout (mcfs)	Firm Sendout (mcfs)	Cogen Sendout (mcfs)	LBS Sendout (mcfs)	BPS Sendout (mcfs)	GTS Sendout (mcfs)	IT Sendout (mcfs)
2002-2003	Jan 22	19	27	13	575,641	548,462	13	832	24,118	2,216	0
2002-2003	Jan 23	16	22	11	616,928	588,420	0	549	25,204	2,755	0
2002-2003	Jan 24	25	31	19	540,817	512,675	0	672	25,430	2,040	0
2003-2004	Jan 14	20	24	12	514,424	501,989	1	71	8,418	3,945	0
2003-2004	Jan 15	14	24	6	578,880	570,609	0	135	4,331	3,805	0
2003-2004	Jan 16	23	28	17	538,111	533,127	0	30	2,472	2,482	0
2004-2005	Jan 21	14	22	8	578,200	539,136	77	4,744	23,858	438	9,947
2004-2005	Jan 22	19	23	14	562,716	527,118	0	4,047	22,682	435	8,434
2004-2005	Jan 23	15	24	9	590,559	552,862	22	4,526	23,429	452	9,268
2005-2006	Dec 12	30	40	18	390,077	373,832	55	1,222	1,266	159	13,543
2005-2006	Dec 13	22	30	15	463,325	442,636	56	2,086	2,161	206	16,180
2005-2006	Dec 14	21	25	18	490,906	470,977	57	1,534	1,590	210	16,538
2006-2007	Dec 31	20	20	20	485,625	459,641	51	5,963	19,970	*	*
2006-2008	Jan 1	15	15	15	553,660	525,349	47	6,716	21,548	*	*
2006-2009	Jan 2	20	20	20	502,928	477,177	47	6,214	19,490	*	*

* IT (Interruptible Transportation) and GTS (Gas Transportation Sales) are not forecasted on a daily basis

c. The average monthly consumption in MCF during the primary heating season (November-March).

Rate Class	Rate Class Name	Ave.Monthly Cons. (MCF) Nov. to March Testyear 06-07	Ave.Monthly Cons. (MCF) Nov. to March Budget Yr 05-06	Ave.Monthly Cons. (MCF) Nov. to March Budget Yr 04-05	Ave.Monthly Cons. (MCF) Nov. to March Budget Yr 03-04	Ave.Monthly Cons. (MCF) Nov. to March Budget Yr 02-03
RC-1	Residential Non-Heat	183,505	198,167	236,819	237,384	260,335
RC-2	Residential Heat	5,505,705	4,957,500	5,602,552	5,995,995	6,735,977
RC-3	Commercial Non-Heat	187,119	178,462	189,848	194,372	211,198
RC-4	Commercial Heat	1,192,291	1,075,751	1,167,335	1,199,578	1,300,668
RC-5	Industrial Non-Heat	43,155	39,110	40,270	44,640	52,851
RC-6	Industrial Heat	105,175	90,068	104,314	109,772	142,898
RC-7	Municipal Non-Heat	38,898	36,161	38,361	36,845	41,689
RC-8	Municipal Heat	163,952	140,168	127,601	155,529	201,491
RC-9	Housing Auth Non-Heat	-	-	-	-	-
RC-10	Housing Auth Heat	81,605	75,426	75,567	74,534	94,543
RC-11	BPS Small	26,377	23,360	35,336	23,048	27,251
RC-12	BPS Large	296,163	212,758	407,986	285,375	341,478
RC-13	BPS A/C	1,512	5,923	8,339	5,560	15,609
RC-14	LBS Small	63,232	32,731	72,958	42,276	85,487
RC-15	LBS Large-Indirect	45,121	14,425	33,614	29,644	75,417
RC-16	LBS Large-Direct	1,700	1,512	11,272	20,292	50,951
RC-17	LBS XLarge-Indirect	6,965	2,948	6,918	2,168	-
RC-18	LBS XLarge-Direct	189	538	566	9,648	19,434
RC-19	TriGen Direct	-	-	-	-	-
RC-20	Co-Gen Indirect	1,355	1,874	2,137	3,833	10,548
RC-21	Grays Ferry	-	-	-	-	-
RC-22	GTS Sales	-	576	647	1,183	548
RC-23	NGV Firm	31	10	-	-	-
	Total	7,944,048	7,087,469	8,162,439	8,471,676	9,668,374

d. The average monthly consumption in MCF during the non-heating season (April-October).

Rate Class	Rate Class Name	Ave.Monthly Cons. (MCF) Sept-Oct & April to August Testyear 06-07 4525 Deg Days	Ave.Monthly Cons. (MCF) Sept-Oct & April to August Budget Yr 05-06 3982 Deg Days	Ave.Monthly Cons. (MCF) Sept-Oct & April to August Budget Yr 04-05 4327 Deg Days	Ave.Monthly Cons. (MCF) Sept-Oct & April to August Budget Yr 03-04 4292 Deg Days	Ave.Monthly Cons. (MCF) Sept-Oct & April to August Budget Yr 02-03 4794 Deg Days
RC-1	Residential Non-Heat	77,795	87,318	110,191	109,098	115,289
RC-2	Residential Heat	1,394,227	1,407,640	1,578,441	1,549,443	1,667,254
RC-3	Commercial Non-Heat	109,924	111,488	115,035	117,939	116,081
RC-4	Commercial Heat	362,423	346,668	360,906	374,244	389,162
RC-5	Industrial Non-Heat	18,498	16,414	17,979	23,737	23,467
RC-6	Industrial Heat	29,861	27,042	26,998	27,076	26,979
RC-7	Municipal Non-Heat	9,743	8,895	12,271	12,149	11,970
RC-8	Municipal Heat	26,691	21,282	26,915	31,152	26,195
RC-9	Housing Auth Non-Heat	-	-	-	-	-
RC-10	Housing Auth Heat	20,039	18,666	21,894	30,213	28,939
RC-11	BPS Small	4,442	4,452	4,053	3,306	9,316
RC-12	BPS Large	64,232	60,312	92,264	97,879	116,031
RC-13	BPS A/C	14,500	13,283	9,612	15,416	20,157
RC-14	LBS Small	30,300	29,652	60,361	62,601	82,454
RC-15	LBS Large-Indirect	21,340	16,999	31,799	57,676	95,690
RC-16	LBS Large-Direct	1,721	1,298	5,858	22,919	25,807
RC-17	LBS XLarge-Indirect	2,757	3,229	3,966	3,399	-
RC-18	LBS XLarge-Direct	191	144	1,099	9,060	14,193
RC-19	TriGen Direct	-	-	-	-	-
RC-20	Co-Gen Indirect	1,294	1,807	5,136	11,229	8,236
RC-21	Grays Ferry	-	-	-	-	-
RC-22	GTS Sales	-	284	16,083	558	762
RC-23	NGV Firm	31	22	-	-	-
	Total	2,190,010	2,176,894	2,500,862	2,559,095	2,777,982

e. The average daily consumption in MCF for each 12-month period.

Rate Class	Rate Class Name	Ave.Daily Cons. (MCF) Testyear 06-07	Ave.Daily Cons. (MCF) Budget Yr 05-06	Ave.Daily Cons. (MCF) Budget Yr 04-05	Ave.Daily Cons. (MCF) Budget Yr 03-04	Ave.Daily Cons. (MCF) Budget Yr 02-03
RC-1	Residential Non-Heat	4,006	4,389	5,343	5,344	5,777
RC-2	Residential Heat	102,159	94,907	106,726	111,852	124,248
RC-3	Commercial Non-Heat	4,671	4,583	4,794	4,924	5,119
RC-4	Commercial Heat	23,283	21,385	22,850	23,610	25,281
RC-5	Industrial Non-Heat	946	851	894	1,067	1,174
RC-6	Industrial Heat	2,013	1,752	1,941	2,023	2,475
RC-7	Municipal Non-Heat	720	666	759	738	801
RC-8	Municipal Heat	2,758	2,328	2,258	2,728	3,263
RC-9	Housing Auth Non-Heat	-	-	-	-	-
RC-10	Housing Auth Heat	1,502	1,391	1,451	1,600	1,850
RC-11	BPS Small	447	405	560	379	552
RC-12	BPS Large	5,289	4,071	7,338	5,786	6,903
RC-13	BPS A/C	299	336	298	372	600
RC-14	LBS Small	1,447	1,017	2,151	1,780	2,752
RC-15	LBS Large-Indirect	1,027	524	1,067	1,512	2,868
RC-16	LBS Large-Direct	56	46	266	718	1,193
RC-17	LBS XLarge-Indirect	148	102	170	95	-
RC-18	LBS XLarge-Direct	6	10	29	306	538
RC-19	TriGen Direct	-	-	-	-	-
RC-20	Co-Gen Indirect	43	60	127	268	302
RC-21	Grays Ferry	-	-	-	-	-
RC-22	GTS Sales	-	13	316	27	22
RC-23	NGV Firm	1	1	-	-	-
	Total	150,823	138,837	159,339	165,129	185,720

Philadelphia Gas Works Base Rate Filing

IV. RATE STRUCTURE

IV.B.5. Submit a Bill Frequency Analysis for each rate. The analysis should include the rate schedule and block interval, the number of bills at each interval, the cumulative number of bills at each interval, the Mcf or therms at each interval, the cumulative Mcf or therms at each interval, the accumulation of Mcf or therms passing through each interval, and the revenue at each interval for both the present rate and the proposed rates. The Analysis should show only those revenues collected from the basic tariff.

RESPONSE:

PGW's present rate schedule does not have block rates and PGW's proposed rates do not incorporate block rates.

Philadelphia Gas Works Base Rate Filing

IV. RATE STRUCTURE

IV.B.6. Supply copies of all present and proposed Gas Tariffs.

RESPONSE: Copies of all present and proposed Gas Tariffs are set forth in Volume I of this filing.

Philadelphia Gas Works Base Rate Filing

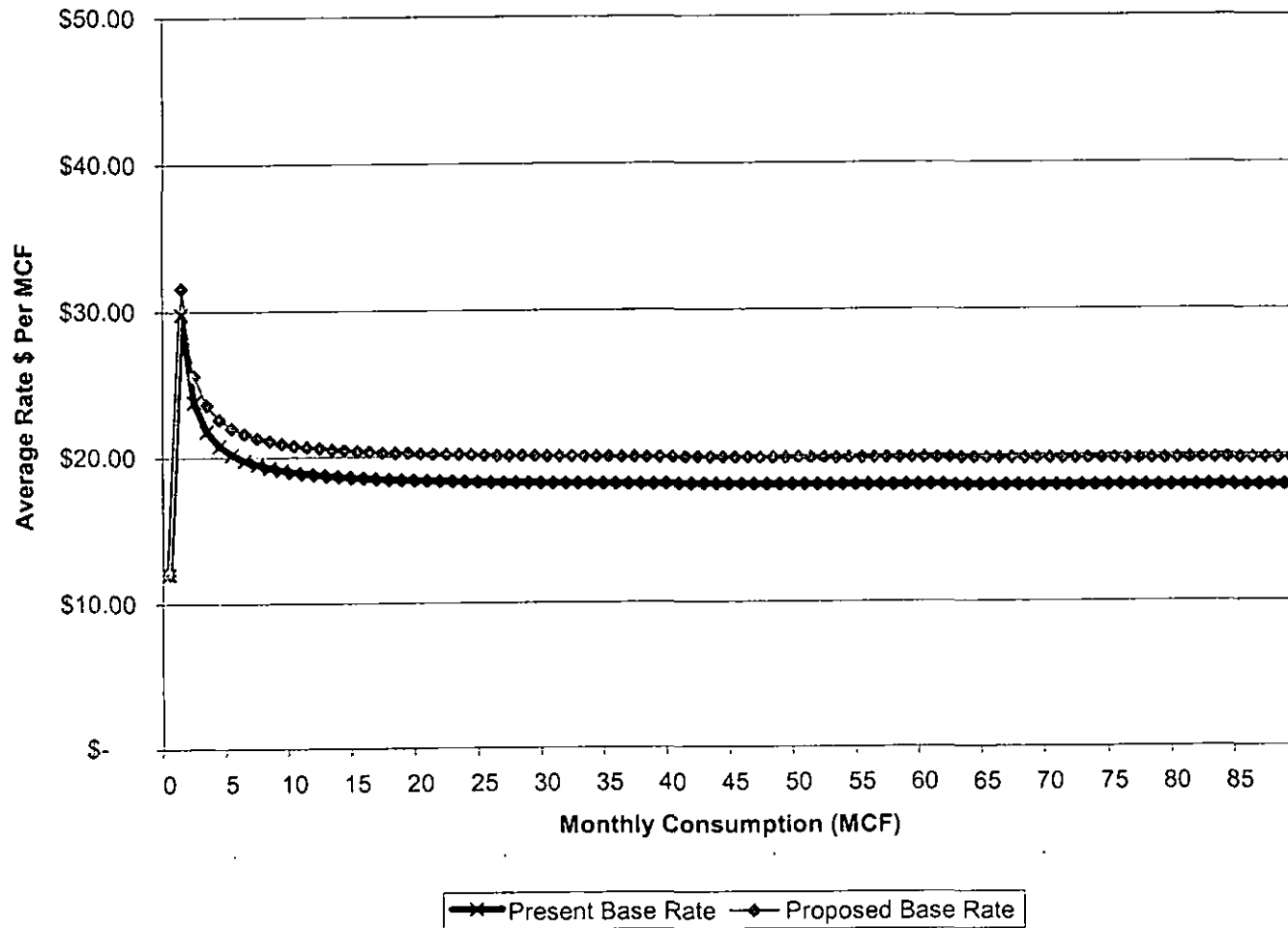
IV. RATE STRUCTURE

IV.B.7. Supply a graph of present and proposed base rates on hyperbolic cross section paper.

RESPONSE: Please see the attached graphs.

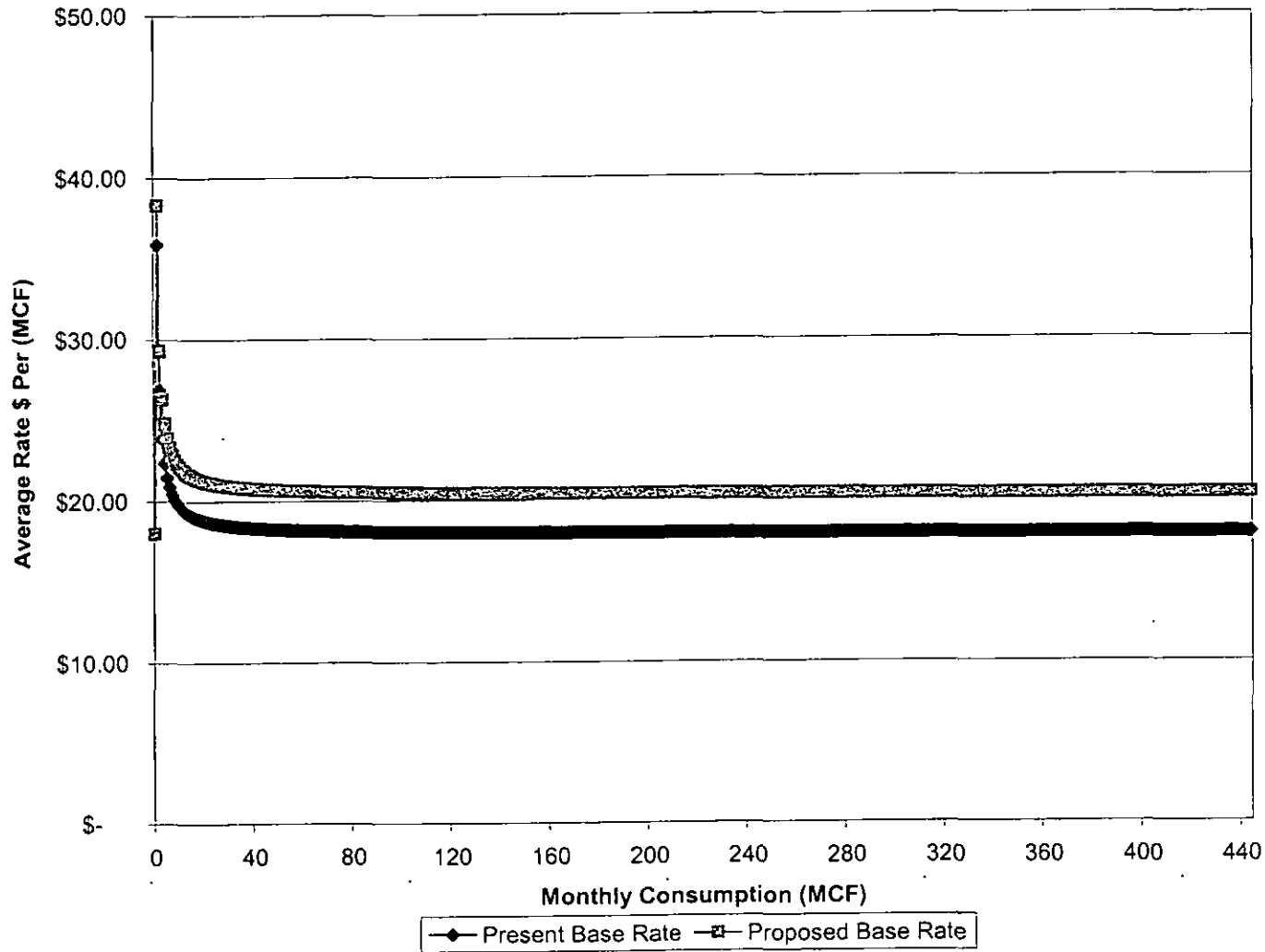
PHILADELPHIA GAS WORKS PRESENT AND PROPOSED RATES

RESIDENTIAL



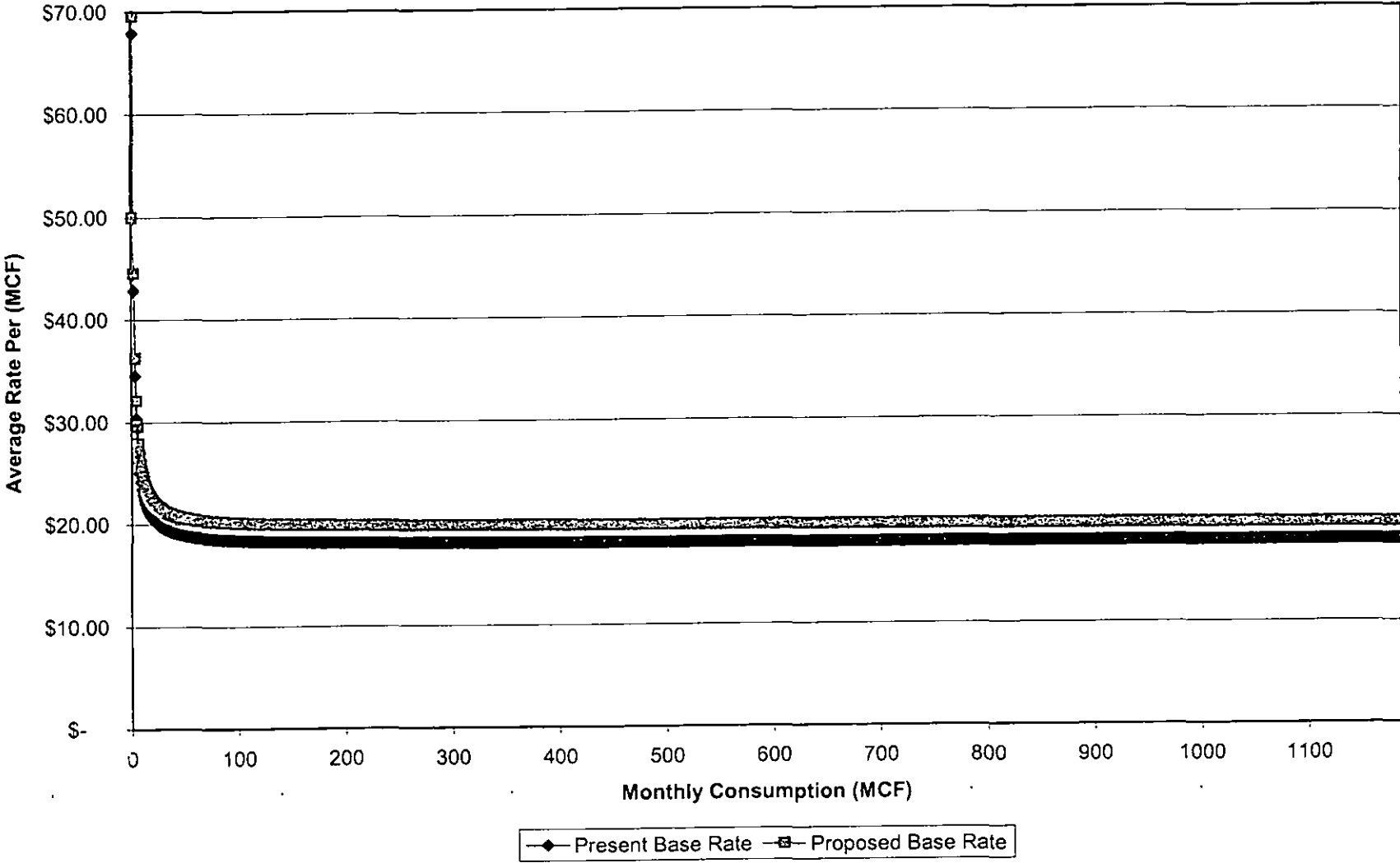
PHILADELPHIA GAS WORKS PRESENT AND PROPOSED RATES

COMMERCIAL



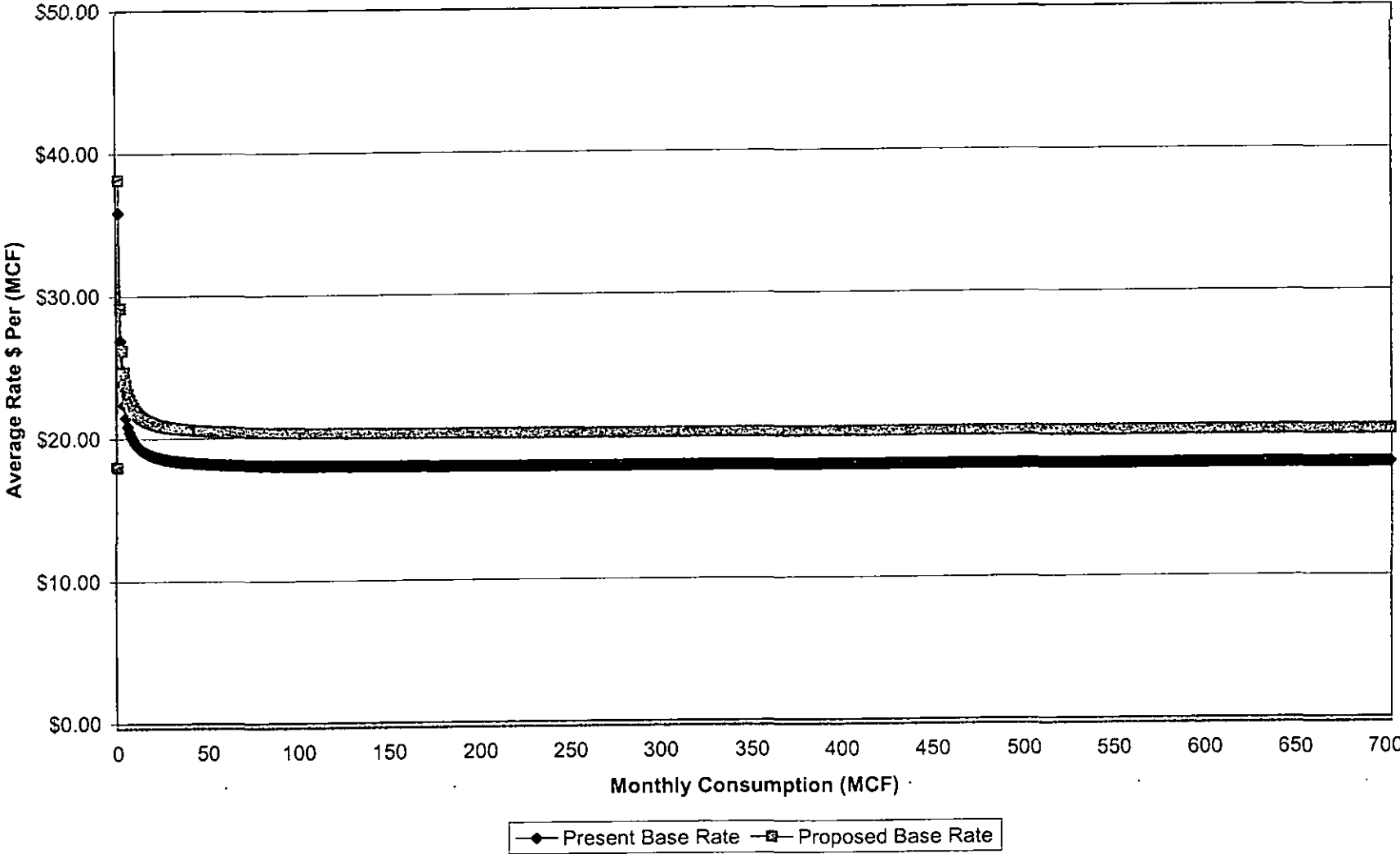
PHILADELPHIA GAS WORKS
PRESENT AND PROPOSED RATES

INDUSTRIAL



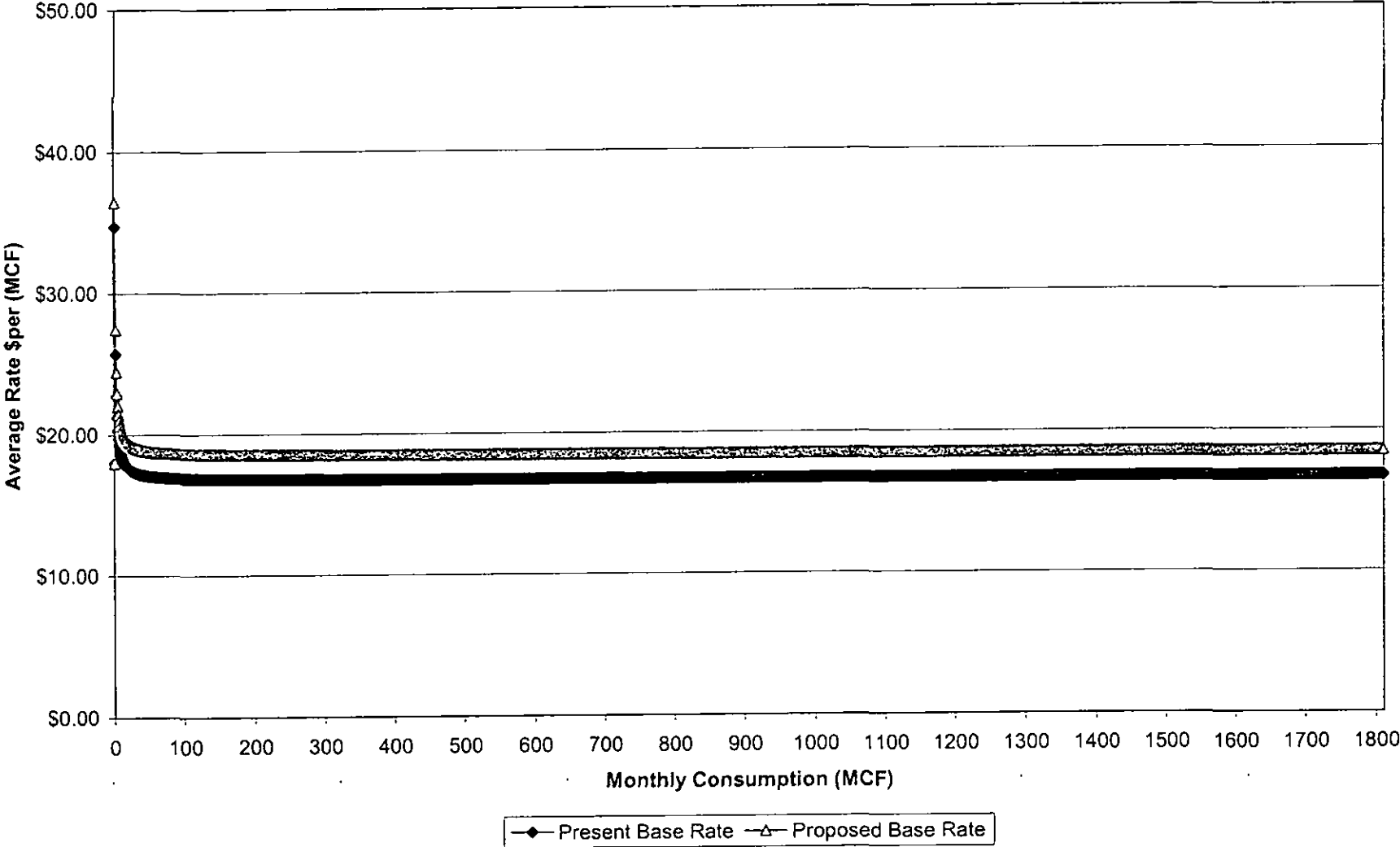
PHILADELPHIA GAS WORKS
PRESENT AND PROPOSED RATES

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PHILADELPHIA GAS WORKS
PRESENT AND PROPOSED RATES

MUNICIPAL



Philadelphia Gas Works Base Rate Filing

IV. RATE STRUCTURE

IV.B.8. Supply a map showing the Gas System Facilities and Gas Service Areas. The map should include transmission lines, distribution lines, other companies' lines interconnecting with the interconnecting points clearly designated, major compressor stations, gas storage areas and gas storage lines. The normal direction of gas flow within the transmission system should be indicated by arrows. Separate service areas within the system should be clearly designated.

RESPONSE: Following the lead of the industry, as well as federal policy guidelines regarding the security of information relating to energy transmission sites, PGW will no longer provide this data to the general public. However, upon request PGW will provide this information to the Commission and will also provide this information, upon written request, to parties to this proceeding that have legitimate business reasons to view this information.

Philadelphia Gas Works Base Rate Filing

IV. RATE STRUCTURE

IV.B.9. Supply a cost analysis supporting minimum charges for all rate schedules.

RESPONSE: See the testimony of Howard Gorman (PGW St. 8) and the Cost of Service Study.

Philadelphia Gas Works Base Rate Filing

IV. RATE STRUCTURE

IV.B.10. Supply a cost analysis supporting demand charges for all tariffs which contain demand charges.

RESPONSE: See the testimony of Howard Gorman (PGW St. 8) and the Cost of Service Study.

Philadelphia Gas Works Base Rate Filing

IV. RATE STRUCTURE

IV.B.11. Supply the net fuel clause adjustment by month for the test year.

RESPONSE: Please see attached.

GCR

STATEMENT OF RECONCILIATION

September 2006 - August 2007

		NET COST OF FUEL	FIRM SALES	IRC FACTOR APPLIED	INTERRUPTIBLE REVENUE CREDIT	GCR APPLICABLE EXPENSES	GCR FACTOR APPLIED	GCR REVENUE BILLED	OVER/(UNDER) RECOVERY	E FACTOR DISTRIBUTED ON GCR	CUMULATIVE OVER/(UNDER) RECOVERY
		1	2	3	4 = (2 * 3)	5 = (1 - 4)	6	7	8 = (7 - 5)	9	10
		\$	MCF	\$	\$	\$	\$	\$	\$	\$	\$
2005-2006 OVER-COLLECTION										17,924,605	
2006 INTEREST										(954,161)	
	TOTAL "E" FACTOR									16,970,444	
<u>2006-2007</u>											
September	Estimated	16,380,821	1,127,826	0.1428	161,022	16,219,799	11.7675	13,271,713	(2,948,085)	369,124	(2,578,962)
October	Estimated	29,921,323	1,778,276	0.1428	253,888	29,667,435	10.9532	19,477,810	(10,189,624)	582,008	(12,186,579)
November	Estimated	56,282,720	3,925,843	0.1428	560,500	55,722,220	10.9532	43,000,547	(12,721,673)	1,284,880	(23,623,372)
December	Estimated	92,773,677	6,715,593	0.1428	958,789	91,814,878	10.9532	73,557,232	(18,257,647)	2,197,930	(39,683,089)
January	Estimated	114,448,858	10,349,574	0.1428	1,477,629	112,971,029	10.9532	113,360,959	389,931	3,387,287	(35,905,871)
February	Estimated	92,508,448	8,296,159	0.1428	1,327,231	91,181,217	10.9532	101,822,689	10,641,472	3,042,517	(22,221,882)
March	Estimated	76,796,353	7,219,999	0.1428	1,030,814	75,765,540	10.9532	79,082,095	3,316,556	2,363,016	(16,542,310)
April	Estimated	39,851,186	4,935,714	0.1428	704,682	39,246,504	10.9532	54,061,859	14,815,355	1,615,398	(111,558)
May	Estimated	23,449,433	2,387,457	0.1428	340,862	23,108,571	10.9532	26,150,291	3,041,719	781,385	3,711,546
June	Estimated	16,597,380	1,575,108	0.1428	224,881	16,372,499	10.9532	17,252,470	879,971	515,513	5,107,030
July	Estimated	17,121,344	1,299,641	0.1428	185,552	16,935,791	10.9532	14,235,231	(2,700,561)	425,356	2,831,828
August	Estimated	<u>17,004,874</u>	<u>1,240,595</u>	0.1428	<u>177,122</u>	<u>16,827,752</u>	10.9532	<u>13,588,480</u>	<u>(3,239,272)</u>	<u>406,031</u>	(1,414)
TOTAL		593,236,216	51,851,785		7,402,983	585,833,234		568,861,376	(16,971,858)	16,970,444	(1,414)

Philadelphia Gas Works Base Rate Filing

IV. RATE STRUCTURE

IV.B.12. Supply a tabulation of base rate bills for each rate schedule comparing the existing rates to proposed rates. The tabulation should show the dollar difference and the per cent increase or decrease.

RESPONSE:

Please see the attached.

**Rate Increase
Typical Monthly Bill**

Residential Heating

<u>Unit Costs</u>	<u>Annual Usage</u>	<u>Unit</u>	<u>Current Rates</u>		<u>Proposed Rate Change Update</u>	<u>Change In Annual Bill</u>	<u>Change In Rate</u>
Surcharges	89.0	Mcf	\$ 2.6042	Surcharges	\$ 2.5387		\$ (0.07)
Delivery Charge	89.0	Mcf	\$ 4.2124	Delivery Charge	\$ 6.0799		\$ 1.87
GCR Factor	89.0	Mcf	\$ 10.9709	GCR Factor	\$ 10.9709		\$ -
Customer Charge	12	Months	\$ 12.00	Customer Charge	\$ 12.00		\$ -
Annual Bill/Effect on Annual Bill			\$ 1,727.09		\$ 1,887.47	\$ 160.38	9.3%
Effect on Average Monthly Bill						\$ 13.36	

Commercial Heating

<u>Unit Costs</u>	<u>Annual Usage</u>	<u>Unit</u>	<u>Current Rates</u>		<u>Proposed Rate Change Update</u>	<u>Change In Annual Bill</u>	<u>Change In Rate</u>
Surcharges	444.0	Mcf	\$ 2.6042	Surcharges	\$ 2.5387		\$ (0.07)
Delivery Charge	444.0	Mcf	\$ 4.3056	Delivery Charge	\$ 6.7944		\$ 2.49
GCR Factor	444.0	Mcf	\$ 10.9709	GCR Factor	\$ 10.9709		\$ -
Customer Charge	12	Months	\$ 18.00	Customer Charge	\$ 18.00		\$ -
Annual Bill/Effect on Annual Bill			\$ 8,155.03		\$ 9,230.98	\$ 1,075.95	13.2%
Effect on Average Monthly Bill						\$ 89.66	

Industrial Heating

<u>Unit Costs</u>	<u>Annual Usage</u>	<u>Unit</u>	<u>Current Rates</u>		<u>Proposed Rate Change Update</u>	<u>Change In Annual Bill</u>	<u>Change In Rate</u>
Surcharges	1,185.0	Mcf	\$ 2.6042	Surcharges	\$ 2.5387		\$ (0.07)
Delivery Charge	1,185.0	Mcf	\$ 4.3029	Delivery Charge	\$ 6.0749		\$ 1.77
GCR Factor	1,185.0	Mcf	\$ 10.9709	GCR Factor	\$ 10.9709		\$ -
Customer Charge	12	Months	\$ 50.00	Customer Charge	\$ 50.00		\$ -
Annual Bill/Effect on Annual Bill			\$ 21,785.43		\$ 23,807.63	\$ 2,022.20	9.3%
Effect on Average Monthly Bill						\$ 168.52	

PHA Heating

<u>Unit Costs</u>	<u>Annual Usage</u>	<u>Unit</u>	<u>Current Rates</u>		<u>Proposed Rate Change Update</u>	<u>Change In Annual Bill</u>	<u>Change In Rate</u>
Surcharges	703.0	Mcf	\$ 2.6042	Surcharges	\$ 2.5387		\$ (0.07)
Delivery Charge	703.0	Mcf	\$ 4.2952	Delivery Charge	\$ 6.6390		\$ 2.34
GCR Factor	703.0	Mcf	\$ 10.9709	GCR Factor	\$ 10.9709		\$ -
Customer Charge	12	Months	\$ 18.00	Customer Charge	\$ 18.00		\$ -
Annual Bill/Effect on Annual Bill			\$ 12,778.82		\$ 14,380.47	\$ 1,601.64	12.5%
Effect on Average Monthly Bill						\$ 133.47	

Municipal Heating

<u>Unit Costs</u>	<u>Annual Usage</u>	<u>Unit</u>	<u>Current Rates</u>		<u>Proposed Rate Change Update</u>	<u>Change In Annual Bill</u>	<u>Change In Rate</u>
Surcharges	1,810.0	Mcf	\$ 2.6042	Surcharges	\$ 2.5387		\$ (0.07)
Delivery Charge	1,810.0	Mcf	\$ 3.1470	Delivery Charge	\$ 4.9416		\$ 1.79
GCR Factor	1,810.0	Mcf	\$ 10.9709	GCR Factor	\$ 10.9709		\$ -
Customer Charge	12	Months	\$ 18.00	Customer Charge	\$ 18.00		\$ -
Annual Bill/Effect on Annual Bill			\$ 30,483.00		\$ 33,612.67	\$ 3,129.67	10.3%
Effect on Average Monthly Bill						\$ 260.81	

Philadelphia Gas Works Base Rate Filing

IV. RATE STRUCTURE

IV.B.13. Submit the projected demands for all customer classes for both purchased and produced gas for the three years following the test year filing.

RESPONSE:

Please see attached.

GAS SALES**MCF**

	Test Year 2006-2007	1st Forecast Year 7 & 5 2007-2008	2nd Forecast Year 7 & 5 2008-2009	3rd Forecast Year 7 & 5 2009-2010
<u>NON-HEATING</u>				
RESIDENTIAL	1,301,851	1,230,423	1,159,506	1,086,940
CRP	160,236	160,294	160,236	160,236
COMMERCIAL	1,705,062	1,693,080	1,680,071	1,666,943
INDUSTRIAL	345,260	378,422	411,325	444,115
MUNICIPAL	262,687	262,840	262,687	262,687
HOUSING AUTHORITY	-	-	-	-
NGV FIRM	367	367	367	367
TOTAL FIRM NON-HTG	3,775,463	3,725,426	3,674,192	3,621,289
<u>INTERRUPTIBLE</u>				
BPS-SMALL	162,979	153,129	145,202	139,329
LBS-L DIRECT	20,549	20,605	20,549	20,549
LBS-XL DIRECT	2,280	2,286	2,280	2,280
TRI-GEN	1,930,440	-	-	-
BPS-LARGE	374,983	2,074,077	2,224,990	2,387,123
LBS-L INDIRECT	528,265	322,534	277,804	241,456
LBS-S INDIRECT	54,118	534,216	543,409	557,900
LBS-XL INDIRECT	15,834	48,789	44,332	40,940
CO-GEN INDIRECT	-	12,536	10,169	8,169
GRAYSFERRY	109,062	-	-	-
GTS SALES	0	-	-	-
BPS A/C	-	114,089	114,573	113,567
NGV	3,198,508	-	-	-
SALES FOR RESALE	-	-	-	-
TOTAL INTERRUPTIBLE	6,973,971	3,282,261	3,383,308	3,511,312
TOTAL NON-HEATING		7,007,687	7,057,500	7,132,601
<u>HEATING</u>				
RESIDENTIAL	28,330,724	28,281,457	28,104,545	28,000,932
CRP	8,676,014	8,679,297	8,676,014	8,676,014
HOUSING AUTHORITY - GS	281,374	281,500	281,374	281,374
COMMERCIAL	8,498,418	8,751,076	8,996,645	9,244,850
INDUSTRIAL	734,897	784,407	832,948	881,837
MUNICIPAL	1,006,598	1,007,315	1,006,598	1,006,598
HOUSING AUTHORITY - PHA	548,297	544,401	539,860	535,642
TOTAL HEATING	48,076,322	48,329,453	48,437,984	48,627,248
TOTAL FIRM HTG & NON-HTG	51,851,785	52,054,880	52,112,177	52,248,537
TOTAL GAS SALES	55,050,293	55,337,140	55,495,485	55,759,849
GTS TRANSPORT	13,323,287	13,743,581	14,097,202	14,440,369
TOTAL SALES & TRANSPORT	68,373,580	69,080,721	69,592,687	70,200,218

Philadelphia Gas Works Base Rate Filing

IV. RATE STRUCTURE

IV.B.14. Supply an exhibit showing the gas deliveries to each customer class for the most recent 24 month period. The exhibit should identify the source of the gas, such as "purchased" (pipeline), "production" (includes purchases from local producers), "storage withdrawal," "propane/air," and "unaccounted for."

RESPONSE:

Please see attached.

Gas Deliveries

	<u>Fiscal 2004</u>	<u>Fiscal 2005</u>
Non-heating:		
Residential	1,950,608	1,955,424
Commercial	1,797,433	1,754,488
Industrial	389,362	327,200
Municipal	<u>269,272</u>	<u>277,704</u>
Total Firm Non-heating	4,406,676	4,314,816
BPS -S indirect	138,379	205,052
BPS -O indirect	2,234,541	2,783,137
BPS -H indirect	13,199	11,620
LBS-XL direct	111,660	10,520
LBS-XL indirect	34,636	62,348
LBS-L direct	261,893	97,363
LBS-L indirect	551,949	390,664
LBS-S indirect	649,583	787,319
CG-indirect	97,770	46,639
GTS - retail sales	<u>9,819</u>	<u>115,814</u>
Total Interruptible	4,103,428	4,510,476
Heating:		
Residential	40,826,078	39,033,374
Commercial	8,617,596	8,363,015
Industrial	738,396	710,557
Municipal	995,711	826,410
Housing Authority	<u>584,161</u>	<u>559,573</u>
Total Heating	51,761,942	49,492,929
Unbilled adjustment	(52,902)	(91,345)
(+) Utility Use	98,718	94,731
Gas transportation	<u>8,946,447</u>	<u>11,624,395</u>
Total Delivered	69,264,309	69,946,002
Unaccounted for	<u>2,672,520</u>	<u>2,583,937</u>
Total Delivered	71,936,829	72,529,938

Gas Sources

Storage Withdrawals	13,679,811	10,930,003
LNG Vaporization	2,598,686	2,199,046
Gas Transport	8,981,114	11,726,980
Pipeline	<u>46,677,218</u>	<u>47,673,909</u>
TOTAL SOURCES	71,936,829	72,529,938

Philadelphia Gas Works' Base Rate Filing

52 Pa.Code § 53.62

§ 53.62. Additional information to be filed by gas utilities with gross annual intrastate operating revenues in excess of \$40 million seeking a change in base rates.

In addition to information otherwise required to be filed by a jurisdictional natural gas distributor with gross intrastate annual operating revenues in excess of \$40 million seeking a change in its base rates, each gas utility shall also file updates to the information required by § 53.64(c) (relating to filing requirements for natural gas distributors with gross intrastate annual operating revenues in excess of \$40 million). In the case of a gas utility purchasing gas as defined at § 53.61(a) (relating to purpose) from an affiliated interest, it shall also file updates to the information required at § 53.65 (relating to special provisions relating to natural gas distributors with gross intrastate annual operating revenues in excess of \$40 million with affiliated interests). These updates shall be made at the time the base rate case under 66 Pa.C.S. § 1308 (relating to voluntary changes in rates) is originally filed. Deficiencies in filing will be treated as set forth at § 53.51(c) (relating to general).

RESPONSE:

PGW hereby incorporates by reference 1307(f) Case R-00050264 comprised of its exhibits and testimony filed on February 1, 2005 and March 1, 2005. Rates are effective through August 2006.

PGW hereby incorporates by reference 1307(f) Case R-00061296 comprised of its exhibits and testimony filed on February 1, 2006 and March 1, 2006. Rates are effective through August 2007.

Copies of the filings can be provided upon request.

See attached quarterly filing update of purchased gas costs as follows:

- R-00050264 – 1st Quarterly Filing – December 1, 2005
- 2nd Quarterly Filing – March 1, 2006
- 3rd Quarterly Filing – June 1, 2006
- 4th Quarterly Filing – September 1, 2006
- R-00061296 – 1st Quarterly Filing – December 1, 2006

Philadelphia Gas Works

Gregory J. Stunder
Senior Attorney



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November 30, 2005

VIA EXPRESS MAIL

James J. McNulty
Secretary
PA Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor
Harrisburg, PA 17120

Re: Pa. PUC v. Philadelphia Gas Works; R-00050264,
December 1, 2005 First Quarterly GCR Filing

Dear Secretary McNulty:

Enclosed for filing are an original and three (3) copies of PGW's December 1, Quarterly ("GCR") filing. PGW's currently effective Gas Cost Rate of \$12.5632 will remain the same as of December 1, 2005. Pursuant to the Pennsylvania Public Utility Code:

If the recalculated [quarterly] rate results in an increase that is reasonably expected to have an immaterial effect on the utility's annual gas costs, the utility shall file a letter and supporting data to that effect in lieu of a tariff rate change.

52 Pa.Code §52.64. PGW's December 1, 2005 recalculated gas rate will have an immaterial effect on PGW's annual gas costs as demonstrated by the supporting data in the Exhibit attached to this letter, therefore, a Gas Cost Rate increase will not be implemented as of December 1, 2005.

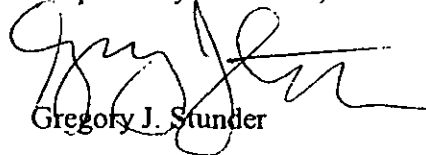
In addition to the immaterial effect on PGW's annual gas costs, PGW has determined that a December 1, 2005 increase is not required due to the positive impact of the October 7, 2005 Interim Gas Cost Rate increase granted by the PUC. The Interim GCR increase provided PGW with the ability to apply the increased rate to approximately ten (10) Bcf of gas usage since October 7, 2005, enabling PGW to keep pace with rising gas costs in a reasonable manner. Based upon available market data, PGW presently projects that its current GCR rate should track likely natural gas prices over the remainder of the winter and its revenues will be sufficient to meet those obligations. Barring the occurrence of another natural disaster or other event that disrupts supply to PGW or has a material negative effect on PGW's liquidity, the Company presently believes that it will be able to maintain its current GCR rate until its next scheduled quarterly filing on March 1, 2006.

James J. McNulty
November 30, 2005
Page 2

Finally, PGW's decision to maintain its present GCR rate reflects its sincere desire to mitigate the adverse affects of higher natural gas prices on Philadelphians. A further GCR increase at this time would only make it harder for PGW's low income customer to restore or maintain service in the face of historically high energy prices which would, in turn, have a negative effect on collections, thus partially eroding the potential benefit of an increase in the GCR.

If you have any questions, please contact me.

Respectfully submitted,



Gregory J. Stunder

Enclosures

cc: All Parties of Record
Karen Moury, Esqr
Robert Rosenthal
Kerry Klinefelter

Exhibit to Cover Letter
Pa. PUC v. Philadelphia Gas Works; R-00050264
December 1, 2005 First Quarterly GCR Filing

December 1, 2005 Recalculated Rate	\$ 13.0510	12/1/05 Quarterly Filing Schedule 1
Less: October 7, 2005 Interim Rate	<u>\$ 12.5632</u>	10/7/05 Intermin Filing Schedule 1
	\$ 0.4878	
Multiplied By: GCR Firm Sales - December 16, 2005 to March 15, 2006	<u>28,665,606</u>	See Below
	\$ 13,983,083	
Divided By: Net Applicable GCR Expenses	<u>\$ 726,447,780</u>	10/7/05 Intermin Filing Schedule 1
Immaterial Effect on Annual Gas Costs	<u><u>1.92%</u></u>	

GCR Firm Sales - December 16, 2005 to March 15, 2006

December 2005	7,223,949	50%	3,611,975	12/1/05 Quarterly Filing Schedule 2
January 2006	11,090,765	100%	11,090,765	12/1/05 Quarterly Filing Schedule 2
February 2006	10,047,646	100%	10,047,646	12/1/05 Quarterly Filing Schedule 2
March 2006	7,830,440	50%	<u>3,915,220</u>	12/1/05 Quarterly Filing Schedule 2
			<u><u>28,665,606</u></u>	

CERTIFICATE OF SERVICE

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

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Gregory J. Stunder, Esq.

Date: November 30, 2005

Statement

Known per dekatherm natural gas prices are used through the month of November 2005. Where known and quantifiable, actual per dekatherm prices for locked-in quantities of gas are used for all other months. Any remaining volumes not locked-in for price for the months of December 2005 through February 2006 are based on the NYMEX Futures Closing Prices of 11-3-05. For the period of March 2006 through November 2006, the average price of the NYMEX Futures Closing Prices of 11-3-05 and the November 2005 Global Insight Forecast were used. The latest applicable pipeline tariff transportation and fuel charges from specific basin points have been incorporated into these pricing determinants. Forecasted temperatures for the period are assumed to be normal (i.e. the estimate incorporates the normal 4,555 degree-day pattern).

DECEMBER 1, 2005

1ST QUARTER GCR FILING

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Philadelphia Gas Works
Levelized Gas Cost Rate
1st Quarter Filing December 1, 2005

Formula:
GCR = SSC + GAC - IRC

where:

	<u>Demand</u>	<u>Commodity</u>	<u>Total</u>	
S = Firm Sales Volume (Mcf)			56,314,475	(Schedule 2)
<hr/>				
Net Natural Gas Expense	\$ 65,291,859	\$ 641,913,078	\$ 707,204,937	
Purchased Electric Expense	\$	\$ 1,059,971	\$ 1,059,971	
C = Total Applicable GCR Expense	\$ 65,291,859	\$ 642,973,049	\$ 708,264,908	(Schedule 3)
<hr/>				
SSC = C / S	\$ 1.1594	\$ 11.4175	\$ 12.5770	
<hr/>				
Adjustment For:				
Prior Year Reconciliation	7,137,894	\$ 29,128,409	\$ 36,266,303	(Schedule 6)
E = Adjustments to GCR Expenses	7,137,894	\$ 29,128,409	\$ 36,266,303	
<hr/>				
GAC = E / S	0.1268	\$ 0.5172	\$ 0.6440	
<hr/>				
Interruptible Revenue Credit			\$ 11,334,645	(Schedule 5)
<hr/>				
IRC = Interruptible Revenue Credit / S			\$ 0.2013	
<hr/>				
Net Applicable GCR Expenses = C + E - Interruptible Revenue Credit			\$ 733,196,567	
<hr/>				
<u>GCR = SSC + GAC - IRC</u>			\$ 13.0197	
<hr/>				
SSC in effect 12/01/05	\$ 1.1622	\$ 11.4450	\$ 12.6072	
GAC in effect 12/01/05	\$ 0.1271	\$ 0.5185	\$ 0.6456	
IRC in effect 12/01/05			\$ (0.2018)	
GCR in effect 12/01/05			\$ 13.0510	(Schedule 8)
<hr/>				
Recovery Test on:				
Firm Sales Volume (Mcf)			56,314,475	
= Total Projected Recovery			\$ 733,198,292	(Schedule 8)
Compared To				
Net Applicable GCR Expenses			\$ 733,196,567	
= Net Over/(Under) Recovery			\$ 1,725	(Schedule 5)
<hr/>				
Degree Days			4,555	

SalesDecember 2005 Through November 2006

<u>MONTH</u>	<u>TOTAL BILLED SALES</u>	<u>INTERRUPTIBLE SALES</u>	<u>TOTAL FIRM SALES</u>	<u>SENIOR CITIZEN DISCOUNT SALES</u>	<u>TOTAL APPLICABLE SALES</u>
DECEMBER 2005	7,465,091	241,142	7,223,949	130,562	7,093,387
JANUARY 2006	11,361,998	271,233	11,090,765	212,242	10,878,523
FEBRUARY	10,278,807	231,161	10,047,646	191,163	9,856,483
MARCH	8,031,053	200,613	7,830,440	145,318	7,685,122
APRIL	5,580,819	131,631	5,449,188	100,916	5,348,272
MAY	2,758,331	81,843	2,676,488	44,917	2,631,570
JUNE	1,728,277	57,257	1,671,019	21,732	1,649,287
JULY	1,467,176	59,506	1,407,670	17,916	1,389,754
AUGUST	1,419,953	64,111	1,355,843	17,161	1,338,682
SEPTEMBER	1,336,268	67,789	1,268,479	15,716	1,252,763
OCTOBER	2,088,991	117,008	1,971,983	26,750	1,945,233
NOVEMBER	<u>4,500,016</u>	<u>179,011</u>	<u>4,321,005</u>	<u>69,494</u>	<u>4,251,511</u>
TOTAL	<u>58,016,779</u>	<u>1,702,305</u>	<u>56,314,475</u>	<u>993,887</u>	<u>55,320,587</u>

**PROJECTED APPLICABLE FUEL EXPENSE
SUMMARY
DECEMBER 2005 - NOVEMBER 2006**

	<u>DECEMBER</u>	<u>JANUARY</u>	<u>FEBRUARY</u>	<u>MARCH</u>	<u>APRIL</u>	<u>MAY</u>	<u>JUNE</u>	<u>JULY</u>	<u>AUGUST</u>	<u>SEPTEMBER</u>	<u>OCTOBER</u>	<u>NOVEMBER</u>	<u>TOTAL</u>
NATURAL GAS BILLED													
DEMAND CHARGE	5,532,472	5,532,482	5,549,162	5,532,482	5,145,850	5,097,726	5,117,050	5,097,726	5,096,929	5,745,929	5,747,569	6,096,482	65,291,859
COMMODITY CHARGE	74,837,787	71,526,330	69,511,954	70,232,326	69,888,091	56,835,908	45,819,564	51,803,161	51,084,723	43,816,257	51,141,512	44,514,014	701,011,628
TOTAL NATURAL GAS BILLED	80,370,259	77,058,812	75,061,116	75,764,809	75,033,941	61,933,634	50,936,614	56,900,887	56,181,652	49,562,186	56,889,081	50,610,495	766,303,487
INTERRUPTIBLE CREDIT	(2,843,143)	(3,183,439)	(2,763,600)	(2,394,527)	(1,403,624)	(823,843)	(564,547)	(567,254)	(613,114)	(677,581)	(1,234,228)	(1,953,182)	(19,022,082)
SENDOUT VOLUME IN MCF	249,841	281,024	239,502	207,843	136,360	84,764	59,289	61,617	66,389	70,202	121,205	185,458	1,763,494
DKT CONVERSION FACTOR	1.0380	1.0380	1.0380	1.0380	1.0380	1.0380	1.0380	1.0380	1.0380	1.0380	1.0380	1.0380	1.0380
PRICE \$/DKT	9.941	11.124	12.097	12.537	9.433	9.821	9.641	9.656	9.674	9.299	9.810	10.146	
GAS USED FOR UTILITY	(142,163)	(155,921)	(143,867)	(127,763)	(87,888)	(64,006)	(54,270)	(52,470)	(52,636)	(58,021)	(78,837)	(105,044)	(1,122,886)
NATURAL GAS TO STORAGE	-	-	-	-	23,991,034	31,035,209	29,772,816	28,973,404	28,319,892	25,601,887	16,228,593	141,588	184,064,423
FROM STORAGE	32,270,531	42,912,957	34,107,848	20,186,724	1,773,450	579,664	-	-	-	-	-	20,949,374	152,780,548
NET NATURAL GAS STORAGE	32,270,531	42,912,957	34,107,848	20,186,724	(22,217,584)	(30,455,545)	(29,772,816)	(28,973,404)	(28,319,892)	(25,601,887)	(16,228,593)	20,807,786	(31,283,875)
LNG TO STORAGE	7,198,803	-	-	2,418,510	3,566,480	3,857,296	2,697,685	9,061,638	8,977,326	2,652,391	2,210,991	-	42,641,120
FROM STORAGE	8,189,812	12,258,644	6,318,412	1,835,854	1,342,061	709,696	691,792	716,636	732,139	717,594	741,017	717,756	34,971,413
NET LNG STORAGE	991,009	12,258,644	6,318,412	(582,656)	(2,224,419)	(3,147,601)	(2,005,893)	(8,345,002)	(8,245,187)	(1,934,797)	(1,469,974)	717,756	(7,669,707)
NET NATURAL GAS EXPENSE	110,646,493	128,891,053	112,579,910	92,846,587	49,100,426	27,442,639	18,539,088	18,962,757	18,950,823	21,289,900	37,877,449	70,077,812	707,204,937
<u>APPLICABLE GCR EXPENSE</u>													
NET NATURAL GAS EXPENSE	110,646,493	128,891,053	112,579,910	92,846,587	49,100,426	27,442,639	18,539,088	18,962,757	18,950,823	21,289,900	37,877,449	70,077,812	707,204,937
PURCHASED ELECTRIC	55,388	146,118	102,863	90,730	75,960	79,125	21,100	92,840	102,863	82,174	105,405	105,405	1,059,971
TOTAL APPLICABLE EXPENSES	110,701,881	129,037,171	112,682,773	92,937,317	49,176,387	27,521,763	18,560,188	19,055,597	19,053,687	21,372,074	37,982,853	70,183,217	708,264,908
TOTAL FIRM SALES	7,223,949	11,090,765	10,047,646	7,830,440	5,449,188	2,676,488	1,671,019	1,407,670	1,355,843	1,268,479	1,971,983	4,321,005	56,314,475

**FISCAL YEAR 2005
PHILADELPHIA GAS WORKS
INTEREST RATE CALCULATION**

	06/01/2004	Split Month	09/01/2004	Split Month	12/01/2004
SSC in Effect	\$ 8.1653	\$ 8.3299	\$ 8.4944	\$ 9.0292	\$ 9.5639
GAC in Effect	\$ (0.0057)	\$ (0.0054)	\$ (0.0164)	\$ 0.2383	\$ 0.4931
IRC in Effect	\$ (0.0897)	\$ (0.1296)	\$ (0.1695)	\$ (0.1704)	\$ (0.1713)
Total Effective	\$ 8.0699	\$ 8.1949	\$ 8.3085	\$ 9.0971	\$ 9.8857

MONTH	NET COST OF FUEL (1) (\$)	FIRM SALES (2)	C FACTOR RECOVERY RATE (3) (\$)	C FACTOR REVENUES BILLED (4)=(2)*(3) (\$)	ADJUSTMENT FOR ACTUAL REVENUE (5)	ADJUSTED C FACTOR REVENUES BILLED (6)=(4)*(5) (\$)	OVER/ (UNDER) RECOVERY (7)=(6)-(1) (\$)	INTEREST RATE (8)
Sep-04	14,306,080	1,313,917	8.3299	10,944,784	1.0167	11,127,654	(3,178,426)	
Oct-04	25,050,336	1,798,124	8.4944	15,274,065	0.9949	15,195,555	(9,854,781)	
Nov-04	44,097,022	3,885,082	8.4944	33,001,614	0.9991	32,971,073	(11,125,949)	
Dec-04	<u>72,011,060</u>	<u>6,165,669</u>	9.0292	<u>55,670,876</u>	1.0050	<u>55,947,227</u>	<u>(16,063,833)</u>	
	155,464,498	13,162,792		114,891,339		115,241,509	(40,222,989)	6%

**FISCAL YEAR 2005
PHILADELPHIA GAS WORKS
INTEREST CALCULATION**

	<u>06/01/2004</u>	<u>Split Month</u>	<u>09/01/2004</u>	<u>Split Month</u>	<u>12/01/2004</u>	<u>Split Month</u>	<u>03/01/2005</u>	<u>Split Month</u>	<u>05/01/2005</u>
SSC in Effect	\$ 8.1653	\$ 8.3299	\$ 8.4944	\$ 9.0292	\$ 9.5639	\$ 9.0465	\$ 8.5292	\$ 9.0557	\$ 9.5822
GAC in Effect	\$ (0.0057)	\$ (0.0054)	\$ (0.0164)	\$ 0.2383	\$ 0.4931	\$ 0.1214	\$ (0.2503)	\$ (0.3302)	\$ (0.4102)
IRC in Effect	\$ (0.0897)	\$ (0.1296)	\$ (0.1695)	\$ (0.1704)	\$ (0.1713)	\$ (0.1690)	\$ (0.1667)	\$ (0.1695)	\$ (0.1722)
Total Effective	\$ 8.0699	\$ 8.1949	\$ 8.3085	\$ 9.0971	\$ 9.8857	\$ 8.9990	\$ 8.1122	\$ 8.5560	\$ 8.9998

MONTH	NET COST OF FUEL (1) (\$)	FIRM SALES (2)	SSC IN EFFECT (3) (\$)	SSC REVENUES BILLED (4)=(2)*(3) (\$)	ADJUSTMENT FOR ACTUAL REVENUE (5)	ADJUSTED	SSC	(1)	TIME	INTEREST	(2)	TOTAL
						SSC REVENUES BILLED (6)=(4)*(5) (\$)	OVER/ (UNDER) RECOVERY (7)=(6)-(1) (\$)					
Sep-04	14,306,080	1,313,917	8.3299	10,944,784	1.0167	11,127,654	(3,178,426)	6%	18/12	(286,058)	0	(286,058)
Oct-04	25,050,336	1,798,124	8.4944	15,274,065	0.9949	15,195,555	(9,854,781)	6%	17/12	(837,656)	3,063	(834,593)
Nov-04	44,097,022	3,885,082	8.4944	33,001,614	0.9991	32,971,073	(11,125,949)	6%	16/12	(890,076)	3,999	(886,077)
Dec-04	72,011,060	6,165,669	9.0292	55,670,876	1.0050	55,947,227	(16,063,833)	6%	15/12	(1,204,787)	1,109	(1,203,678)
Jan-05	87,811,049	9,207,202	9.5639	88,056,721	1.0018	88,219,340	408,291	6%	14/12	28,580	0	28,580
Feb-05	72,019,552	9,967,593	9.5639	95,329,022	0.9971	95,056,894	23,037,342	6%	13/12	1,497,427	0	1,497,427
Mar-05	65,479,201	8,687,786	9.0465	78,594,263	1.0072	79,159,933	13,680,732	6%	12/12	820,844	19,821	840,665
Apr-05	35,037,339	5,559,491	8.5292	47,417,745	1.0016	47,492,197	12,454,858	6%	11/12	685,017	0	685,017
May-05	15,660,373	2,715,678	8.5292	23,162,429	1.0143	23,493,761	7,833,388	6%	10/12	391,669	0	391,669
Jun-05	13,345,655	1,928,570	9.0557	17,464,505	0.9663	16,875,947	3,530,292	6%	9/12	158,863	0	158,863
Jul-05	16,703,822	1,325,566	9.5822	12,701,839	0.9994	12,694,073	(4,009,749)	6%	8/12	(160,390)	6,077	(154,313)
Aug-05	15,271,548	1,253,067	9.5822	12,007,139	0.9952	11,949,700	(3,321,848)	6%	7/12	(116,265)	303	(115,962)
											0	
	476,793,037	53,807,745		489,625,001		490,183,354				87,168	34,373	121,542

(1) See Schedule 4A

(2) See Schedule 4C

FISCAL YEAR 2005
PHILADELPHIA GAS WORKS
INTEREST ON NATURAL GAS REFUNDS

MONTH	NATURAL GAS REFUNDS (9)	INTEREST RATE (10)	TIME FACTOR (11)	INTEREST ON REFUNDS (13)=(9)*(10)*(11) (\$)
Sep-04	0	6%	18/12	0
Oct-04	36,038	6%	17/12	3,063
Nov-04	49,991	6%	16/12	3,999
Dec-04	14,790	6%	15/12	1,109
Jan-05	0	6%	14/12	0
Feb-05	0	6%	13/12	0
Mar-05	330,356	6%	12/12	19,821
Apr-05	0	6%	11/12	0
May-05	0	6%	10/12	0
Jun-05	0	6%	9/12	0
Jul-05	151,922	6%	8/12	6,077
Aug-05	<u>8,658</u>	<u>6%</u>	<u>7/12</u>	<u>303</u>
	<u>591,755</u>			<u>34,373</u>

FISCAL YEAR 2005
PHILADELPHIA GAS WORKS
DEMAND AND COMMODITY INTEREST CALCULATION

MONTH	(1) SSC OVER/ (UNDER) RECOVERY 1	(2) DEMAND CHARGE OVER/(UNDER) 2	COMMODITY CHARGE OVER/(UNDER) RECOVERY 3=1-2	INTEREST RATE 4	TIME FACTOR 5	DEMAND INTEREST EXPENSE 6=2*4*5	COMMODITY INTEREST EXPENSE 7=3*4*5	TOTAL INTEREST EXPENSE 8=6+7	(3) INTEREST ON REFUNDS 9	TOTAL INTEREST 10=8+9
	(\$)	(\$)	(\$)			(\$)	(\$)	(\$)	(\$)	(\$)
Sep-04	(3,178,426)	(3,966,972)	788,546	6%	18/12	(357,028)	70,969	(286,058)	0	(286,058)
Oct-04	(9,854,781)	(3,378,802)	(6,475,979)	6%	17/12	(287,198)	(550,458)	(837,656)	3,063	(834,593)
Nov-04	(11,125,949)	(1,533,096)	(9,592,853)	6%	16/12	(122,648)	(767,428)	(890,076)	3,999	(886,077)
Dec-04	(16,063,833)	1,272,972	(17,336,805)	6%	15/12	95,473	(1,300,260)	(1,204,787)	1,109	(1,203,678)
Jan-05	408,291	5,315,197	(4,906,906)	6%	14/12	372,064	(343,483)	28,580	0	28,580
Feb-05	23,037,342	531,798	22,505,544	6%	13/12	34,567	1,462,860	1,497,427	0	1,497,427
Mar-05	13,680,732	4,989,647	8,691,085	6%	12/12	299,379	521,465	820,844	19,821	840,665
Apr-05	12,454,858	1,136,913	11,317,944	6%	11/12	62,530	622,487	685,017	0	685,017
May-05	7,833,388	(1,787,539)	9,620,926	6%	10/12	(89,377)	481,046	391,669	0	391,669
Jun-05	3,530,292	(3,263,865)	6,794,157	6%	9/12	(146,874)	305,737	158,863	0	158,863
Jul-05	(4,009,749)	(3,735,080)	(274,670)	6%	8/12	(149,403)	(10,987)	(160,390)	6,077	(154,313)
Aug-05	(3,321,848)	(3,814,499)	492,651	6%	7/12	(133,507)	17,243	(116,265)	303	(115,962)
Total	13,390,317	(8,233,326)	21,623,642			(422,022)	509,191	87,168	34,373	121,542

(1) See Schedule 4B

(2) See Schedule 7

(3) See Schedule 4C

GCR

STATEMENT OF RECONCILIATION

DECEMBER 2005 THROUGH NOVEMBER 2006

	NET COST OF FUEL 1	FIRM SALES 2	IRC FACTOR APPLIED 3	INTERRUPTIBLE REVENUE CREDIT 4= (2 *3)	APPLICABLE EXPENSES 5 = (1 - 4)	GCR FACTOR APPLIED 6	GCR REVENUE BILLED 7	OVER/(UNDER) RECOVERY 8 = (7 - 5)	E FACTOR DISTRIBUTED ON GCR 9	CUMULATIVE OVER/(UNDER) RECOVERY 10	
	\$	MCF	\$	\$	\$	\$	\$	\$	\$	\$	
NOVEMBER 2005 UNDER-COLLECTION									36,266,303		
TOTAL "E" FACTOR									<u>36,266,303</u>		
<u>2005-2006</u>											
DECEMBER	Estimated	110,701,881	7,223,949	0.2013	1,453,994	109,247,887	12.8071	92,517,832	(16,730,055)	(4,652,195)	(52,996,359)
JANUARY	Estimated	129,037,172	11,090,765	0.2013	2,232,284	126,804,888	13.0510	144,745,574	17,940,686	(7,142,410)	(35,055,673)
FEBRUARY	Estimated	112,682,773	10,047,646	0.2013	2,022,331	110,660,442	13.0510	131,131,828	20,471,386	(6,470,645)	(14,584,287)
MARCH	Estimated	92,937,317	7,830,440	0.2013	1,576,065	91,361,252	13.0510	102,195,072	10,833,820	(5,042,773)	(3,750,467)
APRIL	Estimated	49,176,387	5,449,188	0.2013	1,096,780	48,079,607	13.0510	71,117,346	23,037,739	(3,509,256)	19,287,272
MAY	Estimated	27,521,763	2,676,488	0.2013	538,708	26,983,056	13.0510	34,930,845	7,947,789	(1,723,648)	27,235,061
JUNE	Estimated	18,560,188	1,671,019	0.2013	336,333	18,223,856	13.0510	21,808,469	3,584,614	(1,076,130)	30,819,675
JULY	Estimated	19,055,597	1,407,670	0.2013	283,328	18,772,270	13.0510	18,371,501	(400,768)	(906,534)	30,418,907
AUGUST	Estimated	19,053,687	1,355,843	0.2013	272,896	18,780,790	13.0510	17,695,107	(1,085,683)	(873,158)	29,333,224
SEPTEMBER	Estimated	21,372,074	1,268,479	0.2013	255,312	21,116,762	13.0510	16,554,926	(4,561,836)	(816,896)	24,771,388
OCTOBER	Estimated	37,982,853	1,971,983	0.2013	396,909	37,585,944	13.0510	25,736,355	(11,849,589)	(1,269,950)	12,921,799
NOVEMBER	Estimated	<u>70,183,217</u>	<u>4,321,005</u>	0.2013	<u>869,706</u>	<u>69,313,510</u>	13.0510	<u>56,393,436</u>	<u>(12,920,074)</u>	<u>(2,782,710)</u>	<u>1,725</u>
TOTAL		708,264,908	56,314,475		11,334,645	696,930,263		733,198,292	36,268,028	(36,266,303)	1,725

GCR

STATEMENT OF RECONCILIATION

SEPTEMBER 2005 THROUGH NOVEMBER 2005

		DEMAND CHARGES 1	COMMODITY CHARGES 2	NET COST OF FUEL 3 = (1 + 2)	FIRM SALES 4	IRC FACTOR APPLIED 5	INTERRUPTIBLE REVENUE CREDIT 6 = (4 * 5)	APPLICABLE EXPENSES 7 = (3 - 6)	GCR FACTOR APPLIED 8	GCR REVENUE BILLED 9	MONTHLY OVER/(UNDER) RECOVERY 10 = (9 - 7)	NATURAL GAS REFUNDS 11	CUMULATIVE OVER/(UNDER) RECOVERY 12
		\$	\$	\$	MCF	\$	\$	\$	\$	\$	\$	\$	\$
2004-2005 OVER-COLLECTION													(21,368,705)
2004-2005 INTEREST													(121,542)
TOTAL "E" FACTOR													(21,490,247)
SEPTEMBER 2005	Actual	4,933,065	14,221,239	19,154,304	1,324,674	0.1839	243,608	18,910,696	9.3527	12,315,821	(6,594,875)	51,344	14,946,715
OCTOBER	Estimated	5,097,716	34,342,652	39,440,368	1,706,250	0.1957	333,913	39,106,455	10.6274	18,132,995	(20,973,460)		(6,026,745)
NOVEMBER	Estimated	5,480,599	76,411,084	81,891,683	4,048,226	0.1960	793,452	81,098,231	12.5632	50,858,673	(30,239,558)		(36,266,303)

RECONCILIATION OF DEMAND CHARGES

		DEMAND CHARGES 1	FIRM SALES 2	DEMAND CHARGE IN EFFECT 3	DEMAND CHARGES BILLED 4 = (2 * 3)	MONTHLY DEMAND OVER/(UNDER) 5 = (4 - 1)	CUMULATIVE DEMAND OVER/(UNDER) 6
		\$	\$	\$	\$	\$	\$
SEPTEMBER 2005	Actual	4,933,065	1,324,674	1.1811	1,564,572	(3,368,493)	(3,368,493)
OCTOBER	Estimated	5,097,716	1,706,250	1.1819	2,016,622	(3,081,094)	(6,449,586)
NOVEMBER	Estimated	5,480,599	4,048,226	1.1838	4,792,290	(688,309)	(7,137,894)

GCR

STATEMENT OF RECONCILIATION

SEPTEMBER 2004 THROUGH AUGUST 2005

		DEMAND CHARGES	COMMODITY CHARGES	NET COST OF FUEL	FIRM SALES	IRC FACTOR APPLIED	INTERRUPTIBLE REVENUE CREDIT	APPLICABLE EXPENSES	GCR FACTOR APPLIED	GCR REVENUE BILLED	MONTHLY OVER/(UNDER) RECOVERY	NATURAL GAS REFUNDS	CUMULATIVE OVER/(UNDER) RECOVERY
		1	2	3 = (1 + 2)	4	5	6 = (4 * 5)	7 = (3 - 6)	8	9	10 = (9 - 7)	11	12
		\$	\$	\$	MCF	\$	\$	\$	\$	\$	\$	\$	\$
2003-2004 OVER-COLLECTION													(336,711)
2003-2004 INTEREST													1,067,431
TOTAL "E" FACTOR													730,720
SEPTEMBER 04	Actual	5,553,786	8,752,294	14,306,080	1,313,917	0.1296	170,284	14,135,796	8.1892	10,939,710	(3,196,086)		(3,926,806)
OCTOBER	Actual	5,544,780	19,505,556	25,050,336	1,798,124	0.1695	304,782	24,745,554	8.3085	14,862,922	(9,882,632)	36,038	(13,773,400)
NOVEMBER	Actual	6,232,800	37,864,222	44,097,022	3,885,082	0.1695	658,521	43,438,501	8.3085	32,249,331	(11,189,170)	49,991	(24,912,579)
DECEMBER	Actual	6,363,318	65,647,742	72,011,060	6,165,669	0.1704	1,050,630	70,960,430	9.0971	56,368,138	(14,592,292)	14,790	(39,490,081)
JANUARY 05	Actual	6,251,957	81,559,092	87,811,049	9,207,202	0.1713	1,577,194	86,233,855	9.8857	91,187,727	4,953,872		(34,536,210)
FEBRUARY	Actual	11,931,883	60,087,669	72,019,552	9,967,593	0.1713	1,707,449	70,312,103	9.8857	98,255,350	27,943,247		(6,592,963)
MARCH	Actual	5,954,372	59,524,829	65,479,201	8,687,786	0.1690	1,468,236	64,010,965	8.9990	78,743,648	14,732,683	330,356	8,470,076
APRIL	Actual	5,808,885	29,228,454	35,037,339	5,559,491	0.1667	926,767	34,110,572	8.1122	45,170,518	11,059,946		19,530,022
MAY (1)	Actual	5,223,533	10,436,840	15,660,373	2,715,678	0.1667	452,704	15,207,669	8.1122	22,345,257	7,137,588		26,667,610
JUNE	Actual	5,526,806	7,818,849	13,345,655	1,928,570	0.1695	326,796	13,018,859	8.5560	15,944,763	2,925,904		29,593,514
JULY	Actual	5,299,881	11,403,941	16,703,822	1,325,566	0.1722	228,262	16,475,560	8.9998	11,922,535	(4,553,025)	151,922	25,192,412
AUGUST	Actual	5,287,541	9,984,007	15,271,548	1,253,067	0.1722	215,778	15,055,770	8.9998	11,223,405	(3,832,355)	8,658	21,368,705
Total		74,979,542	401,813,495	476,793,037	53,807,745		9,087,403	467,705,634		489,213,304	21,507,670	591,755	21,368,705

(1) Firm Sales revised

RECONCILIATION OF DEMAND CHARGES

		DEMAND CHARGES	FIRM SALES	DEMAND CHARGE IN EFFECT	DEMAND REVENUES BILLED	ADJUSTMENT FOR ACTUAL REVENUE	ADJUSTED D FACTOR REVENUES BILLED	DEMAND CHARGE OVER/(UNDER)	CUMULATIVE DEMAND OVER/(UNDER)
		1	2	3	4 = (2 * 3)	5	6 = 4 * 5	7 = (6 - 1)	8
		\$	MCF	\$	\$	\$	\$	\$	\$
SEPTEMBER 04	Actual	5,553,786	1,313,917	1,1879	1,560,736	1.0167	1,586,814	(3,966,972)	(3,966,972)
OCTOBER	Actual	5,544,780	1,798,124	1,2108	2,177,169	0.9949	2,165,978	(3,378,802)	(7,345,775)
NOVEMBER	Actual	6,232,800	3,885,082	1,2108	4,704,057	0.9991	4,699,704	(1,533,096)	(8,878,871)
DECEMBER	Actual	6,363,318	6,165,669	1,2324	7,598,570	1.0050	7,636,290	1,272,972	(7,605,899)
JANUARY 05	Actual	6,251,957	9,207,202	1,2540	11,545,831	1.0018	11,567,154	5,315,197	(2,290,702)
FEBRUARY	Actual	11,931,883	9,967,593	1,2540	12,499,362	0.9971	12,463,681	531,798	(1,758,904)
MARCH	Actual	5,954,372	8,687,786	1,2507	10,865,814	1.0072	10,944,019	4,989,647	3,230,743
APRIL	Actual	5,808,885	5,559,491	1,2474	6,934,910	1.0016	6,945,798	1,136,913	4,367,656
MAY (1)	Actual	5,223,533	2,715,678	1,2474	3,387,537	1.0143	3,435,994	(1,787,539)	2,580,118
JUNE	Actual	5,526,806	1,928,570	1,2143	2,341,863	0.9663	2,262,941	(3,263,865)	(683,747)
JULY	Actual	5,299,881	1,325,566	1,1812	1,565,759	0.9994	1,564,801	(3,735,080)	(4,418,827)
AUGUST	Actual	5,287,541	1,253,067	1,1812	1,480,123	0.9952	1,473,042	(3,814,499)	(8,233,326)
Total		74,979,542	53,807,745		66,661,730		66,746,216	(8,233,326)	(8,233,326)

CALCULATION OF RECOVERED CHARGES

1st QUARTER FILING

DECEMBER 2005 - NOVEMBER 2006

	<u>50% of December</u>	<u>11.5 Months</u>	<u>Total</u>
			(MCF)
			(MCF)
Firm Sales (MCF)	3,611,975	52,702,501	56,314,475
GCR (\$/Mcf)	\$ 12.5632	\$ 13.0510	
Total Projected Recovery	<u>\$ 45,377,958</u>	<u>\$ 687,820,334</u>	<u>\$ 733,198,292</u>

STATEMENT OF RECONCILIATION

UNIVERSAL SERVICES & ENERGY CONSERVATION SURCHARGE

SEPTEMBER 2005 THROUGH NOVEMBER 2005

<u>Month</u>		<u>Applicable Sales</u>	<u>USC Charge</u>	<u>USC Revenue Billed</u>	<u>USC Expenses</u>	<u>Monthly Over/(Under) Recovery</u>	<u>Cumulative Over/(Under) Recovery</u>
FY 05 Reconciliation							(\$16,274,447)
September 2005	Actual	1,307,578	\$ 1.8398	\$ 2,405,682	\$ (555,503)	\$ 2,961,185	(\$13,313,262)
October	Estimated	1,683,263	\$ 2.0379	\$ 3,430,365	\$ (74,792)	\$ 3,505,157	(\$9,808,105)
November	Estimated	<u>3,980,533</u>	\$ 2.3723	<u>\$ 9,443,018</u>	<u>\$ 6,016,392</u>	<u>\$ 3,426,626</u>	<u>(\$6,381,478)</u>
Total		6,971,374		\$ 15,279,066	\$ 5,386,097	\$ 9,892,969	(\$6,381,478)

<u>USC Expenses</u>	<u>Sep-05</u>	<u>Oct-05</u>	<u>Nov-05</u>
Conservation Works	\$ 15,736	\$ 242,132	\$ 242,132
CRP Discount	\$ (1,725,443)	\$ (1,607,476)	\$ 3,542,041
CRP Forgiveness	\$ 759,655	\$ 770,000	\$ 800,000
Senior Citizen Discount	<u>\$ 394,549</u>	<u>\$ 520,552</u>	<u>\$ 1,432,219</u>
	\$ (555,503)	\$ (74,792)	\$ 6,016,392

STATEMENT OF RECONCILIATION
UNIVERSAL SERVICES & ENERGY CONSERVATION SURCHARGE
SEPTEMBER 2004 THROUGH AUGUST 2005

<u>Month</u>	<u>Applicable Sales</u>	<u>USC Charge</u>	<u>USC Revenue Billed</u>	<u>USC Expenses</u>	<u>Monthly Over/(Under) Recovery</u>	<u>Cumulative Over/(Under) Recovery</u>	
FY 04 Reconciliation						(\$9,808,162)	
September 2004	Actual	1,294,068	\$ 1,5679	\$ 2,028,969	\$ (482,246)	\$ 2,511,215	(\$7,296,947)
October	Actual	1,767,299	\$ 1,5229	\$ 2,681,420	\$ (282,940)	\$ 2,974,360	(\$4,322,587)
November	Actual	3,806,966	\$ 1,5229	\$ 5,797,629	\$ 3,643,016	\$ 2,154,613	(\$2,167,975)
December	Actual	6,043,601	\$ 1,5299	\$ 9,246,105	\$ 10,225,593	\$ (979,488)	(\$3,147,463)
January	Actual	9,021,469	\$ 1,5369	\$13,865,096	\$ 19,696,725	\$ (5,831,629)	(\$8,979,092)
February	Actual	9,771,854	\$ 1,5369	\$15,018,362	\$ 21,816,537	\$ (6,798,175)	(\$15,777,267)
March	Actual	8,519,905	\$ 1,5298	\$13,033,325	\$ 18,310,714	\$ (5,277,389)	(\$21,054,656)
April	Actual	5,454,545	\$ 1,5226	\$ 8,305,090	\$ 10,659,489	\$ (2,354,399)	(\$23,409,055)
May	Actual	2,667,450	\$ 1,5226	\$ 4,061,459	\$ 3,615,648	\$ 445,812	(\$22,963,243)
June	Actual	1,899,917	\$ 1,6618	\$ 3,157,187	\$ 1,115,615	\$ 2,041,572	(\$20,921,671)
July	Actual	1,307,519	\$ 1,8009	\$ 2,354,711	\$ 336,726	\$ 2,017,985	(\$18,903,686)
August	Actual	1,236,158	\$ 1,8009	\$ 2,226,197	\$ (403,042)	\$ 2,629,239	(\$16,274,447)
Total		52,790,751		81,785,550	88,251,835	(6,466,285)	(16,274,447)

<u>USC Expenses</u>	<u>Sep-04</u>	<u>Oct-04</u>	<u>Nov-04</u>	<u>Dec-04</u>	<u>Jan-05</u>	<u>Feb-05</u>	<u>Mar-05</u>	<u>Apr-05</u>	<u>May-05</u>	<u>Jun-05</u>	<u>Jul-05</u>	<u>Aug-05</u>
Conservation Works	\$ 4,779	\$ 5,220	\$ 213,227	\$ 91,855	\$ 120,382	\$ 143,426	\$ 194,626	\$ 86,908	\$ 383,862	\$ 178,451	\$ 175,702	\$ 290,674
CRP Discount	\$ (1,362,859)	\$(948,359)	\$ 1,604,504	\$ 7,466,548	\$ 15,815,633	\$ 17,809,508	\$ 14,766,883	\$ 8,170,898	\$ 1,694,963	\$ (387,162)	\$ (1,685,597)	\$ (1,872,636)
CRP Forgiveness	\$ 456,110	\$ 84,577	\$ 584,984	\$ 672,946	\$ 656,608	\$ 670,542	\$ 786,305	\$ 805,717	\$ 759,483	\$ 789,552	\$ 1,441,472	\$ 791,485
Senior Citizen Discount *	\$ 419,724	\$ 575,622	\$ 1,240,301	\$ 1,994,244	\$ 3,104,102	\$ 3,193,061	\$ 2,562,900	\$ 1,595,966	\$ 797,340	\$ 534,774	\$ 405,149	\$ 387,435
	\$ (482,246)	\$(282,940)	\$ 3,643,016	\$ 10,225,593	\$ 19,696,725	\$ 21,816,537	\$ 18,310,714	\$ 10,659,489	\$ 3,615,648	\$ 1,115,615	\$ 336,726	\$ (403,042)

* The Senior Citizen Discount for February, March and June has been revised.

Natural Gas Prices Used In PGW's 1st Quarter GCR Filing

December 1, 2005

	GLOBAL INSIGHT(GI) PRICES										Basis Differentials								NYMEX Futures 11/3/05 Close	Prices Used For Gas Cost Inputs										
	Transco			TETCO				Average ELA/ETX	M-1	Nov. 2005 Henry Hub	Transco			TETCO				Average ELA/ETX		M-1	Transco			TETCO						
	Sta 30	Sta 45	Sta 65	ELA	WLA	ETX	STX				Sta 30	Sta 45	Sta 65	ELA	WLA	ETX	STX				Sta 30	Sta 45	Sta 65	ELA	WLA	ETX	STX	ELA/ETX	M-1	
2005.11																														
2005.12	13.52	13.47	13.83	13.58	13.54	13.32	13.42	13.45	13.68	13.62	(0.10)	(0.15)	0.01	(0.04)	(0.08)	(0.30)	(0.20)	(0.17)	0.06	11.689	ACTUAL	13.47	13.46	13.60	14.04	13.88	11.51	11.57	12.77	13.00
2006.1	12.56	12.57	12.72	12.68	12.63	12.38	12.52	12.53	12.78	12.71	(0.15)	(0.14)	0.01	(0.03)	(0.08)	(0.33)	(0.19)	(0.18)	0.07	12.284	NYMEX	11.59	11.54	11.70	11.65	11.61	11.39	11.49	11.52	11.75
2006.2	11.92	11.92	12.08	12.04	11.99	11.75	11.89	11.90	12.13	12.07	(0.15)	(0.15)	0.01	(0.03)	(0.08)	(0.32)	(0.18)	(0.18)	0.06	12.234	NYMEX	12.13	12.14	12.29	12.25	12.20	11.95	12.09	12.10	12.35
2006.3	10.88	10.89	11.02	10.97	10.94	10.74	10.86	10.85	11.05	11.01	(0.13)	(0.12)	0.01	(0.04)	(0.07)	(0.27)	(0.15)	(0.15)	0.04	11.939	NYMEX	12.08	12.08	12.24	12.20	12.15	11.91	12.05	12.06	12.29
2006.4	9.02	8.99	9.10	9.03	9.01	8.94	8.97	8.99	9.11	9.09	(0.07)	(0.10)	0.01	(0.06)	(0.08)	(0.15)	(0.12)	(0.11)	0.02	10.079	GI / NYMEX	11.34	11.35	11.48	11.43	11.40	11.20	11.32	11.32	11.51
2006.5	8.50	8.49	8.57	8.49	8.48	8.46	8.45	8.48	8.56	8.56	(0.06)	(0.07)	0.01	(0.07)	(0.08)	(0.10)	(0.11)	(0.08)	-	9.839	GI / NYMEX	9.51	9.48	9.59	9.52	9.50	9.43	9.45	9.48	9.60
2006.6	8.47	8.46	8.54	8.47	8.46	8.43	8.41	8.45	8.54	8.53	(0.06)	(0.07)	0.01	(0.06)	(0.07)	(0.10)	(0.12)	(0.08)	0.01	9.869	GI / NYMEX	9.14	9.13	9.21	9.14	9.13	9.10	9.08	9.11	9.20
2006.7	8.44	8.45	8.52	8.45	8.44	8.40	8.38	8.43	8.53	8.51	(0.07)	(0.06)	0.01	(0.06)	(0.07)	(0.11)	(0.13)	(0.09)	0.02	9.919	GI / NYMEX	9.14	9.13	9.21	9.15	9.14	9.10	9.08	9.13	9.23
2006.8	8.43	8.43	8.51	8.43	8.43	8.39	8.37	8.41	8.51	8.50	(0.07)	(0.07)	0.01	(0.07)	(0.07)	(0.11)	(0.13)	(0.09)	0.01	9.964	GI / NYMEX	9.16	9.16	9.24	9.16	9.16	9.12	9.10	9.14	9.24
2006.09	8.43	8.40	8.50	8.42	8.41	8.36	8.37	8.39	8.49	8.48	(0.05)	(0.08)	0.02	(0.06)	(0.07)	(0.12)	(0.11)	(0.09)	0.01	9.947	GI / NYMEX	9.16	9.13	9.23	9.15	9.14	9.09	9.10	9.12	9.22
2006.10	8.90	8.87	8.97	8.89	8.89	8.83	8.84	8.86	8.97	8.96	(0.06)	(0.09)	0.01	(0.07)	(0.07)	(0.13)	(0.12)	(0.10)	0.01	9.994	GI / NYMEX	9.42	9.39	9.49	9.41	9.41	9.35	9.36	9.38	9.49
2006.11	8.85	8.84	8.94	8.87	8.85	8.78	8.78	8.83	8.96	8.93	(0.08)	(0.09)	0.01	(0.06)	(0.08)	(0.15)	(0.15)	(0.11)	0.03	10.459	GI / NYMEX	9.61	9.60	9.70	9.63	9.61	9.54	9.54	9.59	9.72

Actual Natural Gas Billed

	<u>Jul-05</u>	<u>Aug-05</u>	<u>Sep-05</u>
Williams	\$ 2,276,761	\$ 2,251,205	\$ 2,140,533
Texas Eastern	\$ 2,479,716	\$ 2,492,764	\$ 2,185,735
Dominion	\$ 131,321	\$ 120,908	\$ 127,888
Equitrans	\$ 43,738	\$ 43,739	\$ 43,173
Spot Purchases -Transco	\$ 32,279	\$ 4,384	\$ -
Spot Purchases -Tetco	\$ -	\$ -	\$ -
Transco Supply1	\$ -	\$ -	\$ -
Transco Supply2	\$ 1,162,484	\$ 936,057	\$ 672,797
Transco Supply3	\$ -	\$ -	\$ -
Transco Supply4	\$ -	\$ -	\$ -
Transco Supply5	\$ -	\$ -	\$ -
Transco Supply6	\$ 2,309,573	\$ 2,225,335	\$ 2,577,771
Transco Supply7	\$ 3,056,363	\$ 464,587	\$ 2,698,388
Transco Supply8	\$ 4,398,900	\$ 4,308,858	\$ 5,972,138
Transco Supply9	\$ -	\$ -	\$ -
Transco Supply10	\$ 1,950,288	\$ 2,546,063	\$ 4,661,446
Transco Supply11	\$ -	\$ -	\$ -
Transco Supply12	\$ -	\$ -	\$ -
Transco Supply13	\$ -	\$ -	\$ -
Transco Supply14	\$ 2,030,400	\$ 2,006,420	\$ 10,917
Transco Supply15	\$ -	\$ -	\$ -
Transco Supply16	\$ -	\$ -	\$ -
Transco Supply17	\$ 2,339,526	\$ 2,088,384	\$ 1,462,754
Transco Supply18	\$ -	\$ -	\$ -
Tetco Supply1	\$ 1,882,346	\$ 3,028,125	\$ 3,554,166
Tetco Supply2	\$ -	\$ -	\$ -
Tetco Supply3	\$ -	\$ -	\$ -
Tetco Supply4	\$ -	\$ -	\$ -
Tetco Supply5	\$ -	\$ -	\$ -
Tetco Supply6	\$ -	\$ -	\$ -
Tetco Supply7	\$ -	\$ -	\$ -
Tetco Supply8	\$ -	\$ -	\$ -
Tetco Supply9	\$ -	\$ -	\$ -
Tetco Supply10	\$ -	\$ -	\$ -
Tetco Supply11	\$ -	\$ -	\$ -
Tetco Supply12	\$ -	\$ -	\$ -
Tetco Supply13	\$ -	\$ -	\$ -
Tetco Supply14	\$ 2,307,950	\$ 2,105,372	\$ 1,760,761
Tetco Supply15	\$ 1,578,335	\$ 1,905,136	\$ 2,611,680
<u>Tetco Supply16</u>	\$ -	\$ -	\$ -
Total Costs	\$ 27,979,979	\$ 26,527,336	\$ 30,480,148
Deferred Gas Payment	\$ 4,592,606	\$ 4,896,202	\$ 4,883,093
Off System Sales	\$ (401,670)	\$ (1,859,700)	\$ -
Gas Transportation Purchases	\$ 4,509	\$ 1,625	\$ 28,606
Adjustment/Reconciliation	\$ 1,273,960	\$ (335,661)	\$ 900,952
Total Natural Gas Billed	\$ 33,449,384	\$ 29,229,802	\$ 36,292,799

**Philadelphia Gas Works
Summary of Fuels Purchased
Three Months Ending September 2005**

	<u>Actual</u>			<u>Total</u>	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>	<u>Total</u>	<u>Actual Over/Under vs Projected</u>				<u>Total</u>
	<u>Jul-05</u>	<u>Aug-05</u>	<u>Sep-05</u>		<u>4th Qtr Filing Jul-05</u>	<u>4th Qtr Filing Aug-05</u>	<u>Interim Filing Sep-05</u>		<u>Jul-05</u>	<u>Aug-05</u>	<u>Sep-05</u>		
Total Natural Gas Billed	\$ 33,449,384	\$ 29,229,802	\$ 36,292,799	\$ 98,971,985	\$ 32,900,994	\$ 42,292,244	\$ 47,058,760	\$ 122,251,998	\$ 548,390	\$ (13,062,442)	\$ (10,765,951)	\$ (23,280,013)	
Less Interruptible Credit Gas Used For Utility	\$ 1,064,604	\$ 2,824,668	\$ 1,428,600	\$ 5,317,872	\$ 1,028,960	\$ 1,120,973	\$ 1,854,634	\$ 4,004,567	\$ 35,644	\$ 1,703,695	\$ (428,034)	\$ 1,313,305	
	\$ 43,510	\$ 47,999	\$ 53,127	\$ 144,636	\$ 42,853	\$ 45,728	\$ 59,338	\$ 147,919	\$ 657	\$ 2,271	\$ (6,211)	\$ (3,283)	
	32,341,270	26,357,135	34,811,072	\$ 93,509,477	31,829,181	41,125,543	45,144,788	\$ 118,099,512	512,089	(14,768,408)	(10,333,716)	\$ (24,590,035)	
Pipeline Storages													
(To)	\$ (15,783,598)	\$ (12,804,272)	\$ (16,376,337)	\$ (44,964,207)	\$ (15,332,278)	\$ (22,572,955)	\$ (24,029,837)	\$ (61,935,071)	\$ (451,320)	\$ 9,768,683	\$ 7,653,500	\$ 16,970,864	
From	\$ 33,841	\$ 522,621	\$ 706,590	\$ 1,263,052	\$ -	\$ -	\$ -	\$ 33,841	\$ 522,621	\$ 706,590	\$ 1,263,052	\$ 1,263,052	
Net Pipeline Storages	\$ (15,749,757)	\$ (12,281,651)	\$ (15,669,747)	\$ (43,701,155)	\$ (15,332,278)	\$ (22,572,955)	\$ (24,029,837)	\$ (61,935,071)	\$ (417,479)	\$ 10,291,304	\$ 8,360,090	\$ 18,233,916	
LNG Storage													
(To)	\$ (399,948)	\$ (218,994)	\$ (450,024)	\$ (1,068,966)	\$ (562,904)	\$ (1,736,127)	\$ (2,630,207)	\$ (4,929,238)	\$ 162,956	\$ 1,517,133	\$ 2,180,183	\$ 3,860,272	
From	\$ 445,440	\$ 1,342,271	\$ 384,229	\$ 2,171,940	\$ 503,767	\$ 505,694	\$ 500,147	\$ 1,509,608	\$ (58,327)	\$ 836,577	\$ (115,918)	\$ 662,332	
Net LNG Storage	\$ 45,492	\$ 1,123,277	\$ (65,795)	\$ 1,102,974	\$ (59,137)	\$ (1,230,433)	\$ (2,130,059)	\$ (3,419,629)	\$ 104,629	\$ 2,353,710	\$ 2,064,264	\$ 4,522,603	
Net Natural Gas	\$ 16,637,005	\$ 15,198,761	\$ 19,075,530	\$ 50,911,296	\$ 16,437,766	\$ 17,322,154	\$ 18,984,891	\$ 52,744,812	\$ 199,239	\$ (2,123,394)	\$ 90,639	\$ (1,833,516)	
APPLICABLE GCR EXPENSES													
Net Natural Gas Expense	\$ 16,637,005	\$ 15,198,761	\$ 19,075,530	\$ 50,911,296	\$ 16,437,766	\$ 17,322,155	\$ 18,984,891	\$ 52,744,812	\$ 199,239	\$ (2,123,394)	\$ 90,639	\$ (1,833,516)	
Electric	\$ 66,817	\$ 72,787	\$ 78,774	\$ 218,378	\$ 92,400	\$ 102,375	\$ 87,917	\$ 282,692	\$ (25,583)	\$ (29,588)	\$ (9,143)	\$ (64,314)	
Total GCR Expenses	\$ 16,703,822	\$ 15,271,548	\$ 19,154,304	\$ 51,129,674	\$ 16,530,167	\$ 17,424,528	\$ 19,072,808	\$ 53,027,503	\$ 173,655	\$ (2,152,981)	\$ 81,496	\$ (1,897,830)	

Philadelphia Gas Works

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February 28, 2006

VIA EXPRESS MAIL

James J. McNulty
Secretary
PA Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor
Harrisburg, PA 17120

Re: Pa. PUC v. Philadelphia Gas Works; R-00050264,
March 1, 2006 Second Quarterly GCR Filing

Dear Secretary McNulty:

Enclosed for filing are an original and three (3) copies of PGW's March 1, 2006 Quarterly Gas Cost Rate ("GCR") filing. PGW's currently effective GCR of \$12.5632 will remain the same as of March 1, 2006. Pursuant to the Pennsylvania Public Utility Code:

If the recalculated [quarterly] rate results in an increase that is reasonably expected to have an immaterial effect on the utility's annual gas costs, the utility shall file a letter and supporting data to that effect in lieu of a tariff rate change.

52 Pa.Code §52.64. PGW's March 1, 2006 recalculated gas rate will have an immaterial effect on PGW's annual gas costs as demonstrated by the supporting data in the Exhibit attached to this letter, therefore, a GCR increase will not be implemented as of March 1, 2006.

If you have any questions, please contact me.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Gregory J. Stunder", is written over a printed name. The signature is fluid and cursive.

Gregory J. Stunder

Enclosures

cc: All Parties of Record
Karen Moury, Esq.
Robert Rosenthal
Kerry Klinefelter

CERTIFICATE OF SERVICE

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

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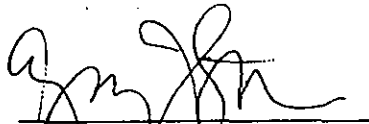
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Gregory J. Stunder, Esq.

Date: February 28, 2006

**Exhibit to Cover Letter
Pa. PUC v. Philadelphia Gas Works; R-00050264
March 1, 2006 First Quarterly GCR Filing**

March 1, 2006 Recalculated Rate	\$ 13.0171	3/1/06 Quarterly Filing Schedule 1
Less: October 7, 2005 Interim Rate	<u>\$ 12.5632</u>	10/7/05 Interim Filing Schedule 1
	\$ 0.4539	
Multiplied By: GCR Firm Sales - March 16, 2006 to June 15, 2006	<u>12,840,624</u>	See Below
	\$ 5,828,359	
Divided By: Net Applicable GCR Expenses	<u>\$ 726,447,780</u>	10/7/05 Interim Filing Schedule 1
Immaterial Effect on Annual Gas Costs	<u><u>0.80%</u></u>	

GCR Firm Sales - March 16, 2006 to June 15, 2006

March 2006	7,809,625	50%	3,904,813	3/1/06 Quarterly Filing Schedule 2
April 2006	5,434,780	100%	5,434,780	3/1/06 Quarterly Filing Schedule 2
May 2006	2,668,144	100%	2,668,144	3/1/06 Quarterly Filing Schedule 2
June 2006	1,665,774	50%	<u>832,887</u>	3/1/06 Quarterly Filing Schedule 2
			<u><u>12,840,624</u></u>	

Statement

Known per dekatherm natural gas prices are used through the month of January 2006. Where known and quantifiable, actual per dekatherm prices for locked-in quantities of gas are used for all other months. Any remaining volumes not locked-in for price for the months of February 2006 through April 2006 are based on the NYMEX Futures Closing Prices of 1-19-06. For the period of May 2006 through February 2007, the average price of the NYMEX Futures Closing Prices of 1-19-06 and the January 2006 Global Insight Forecast were used. The latest applicable pipeline tariff transportation and fuel charges from specific basin points have been incorporated into these pricing determinants. Forecasted temperatures for the period are assumed to be normal (i.e. the forecast incorporates the normal 4,555 degree-day pattern).

MARCH 1, 2006

2ND QUARTER GCR FILING

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Philadelphia Gas Works
Levelized Gas Cost Rate
2nd Quarter Filing March 1, 2006

Formula: _____

$$\text{GCR} = \text{SSC} + \text{GAC} - \text{IRC}$$

where:

	<u>Demand</u>	<u>Commodity</u>	<u>Total</u>	
S = Firm Sales Volume (Mcf)			56,060,893	(Schedule 2)
<hr/>				
Net Natural Gas Expense	\$ 64,647,916	\$ 635,196,076	\$ 699,843,992	
Purchased Electric Expense	\$	\$ 1,058,118	\$ 1,058,118	
C = Total Applicable GCR Expense	\$ 64,647,916	\$ 636,254,194	\$ 700,902,110	(Schedule 3)
<hr/>				
SSC = C / S	\$ 1.1532	\$ 11.3493	\$ 12.5025	
<hr/>				
Adjustment For:				
Prior Reconciliation	7,137,894	\$ 31,271,089	\$ 38,408,983	(Schedule 5)
E = Adjustments to GCR Expenses	7,137,894	\$ 31,271,089	\$ 38,408,983	
<hr/>				
GAC = E / S	0.1273	\$ 0.5578	\$ 0.6851	
<hr/>				
Interruptible Revenue Credit			\$ 11,334,645	(Schedule 4)
<hr/>				
IRC = Interruptible Revenue Credit / S			\$ 0.2022	
<hr/>				
Net Applicable GCR Expenses = C + E - Interruptible Revenue Credit			\$ 727,976,448	
<hr/>				
<u>GCR = SSC + GAC - IRC</u>			\$ 12.9855	
<hr/>				
SSC in effect 3/01/06	\$ 1.1560	\$ 11.3770	\$ 12.5330	
GAC in effect 3/01/06	\$ 0.1276	\$ 0.5592	\$ 0.6868	
IRC in effect 3/01/06			\$ (0.2027)	
GCR in effect 3/01/06			\$ 13.0171	(Schedule 6)
<hr/>				
Recovery Test on:				
Firm Sales Volume (Mcf)			56,060,893	
= Total Projected Recovery			\$ 727,977,856	(Schedule 6)
Compared To				
Net Applicable GCR Expenses			\$ 727,976,448	
= Net Over/(Under) Recovery			\$ 1,408	(Schedule 5)
<hr/>				
Degree Days			4,555	

SalesMarch 2006 Through February 2007

<u>MONTH</u>	<u>TOTAL BILLED SALES</u>	<u>INTERRUPTIBLE SALES</u>	<u>TOTAL FIRM SALES</u>	<u>SENIOR CITIZEN DISCOUNT SALES</u>	<u>TOTAL APPLICABLE SALES</u>
March 2006	8,204,613	394,988	7,809,625	140,053	7,669,572
APRIL	5,681,744	246,964	5,434,780	97,256	5,337,524
MAY	2,804,008	135,865	2,668,144	42,860	2,625,283
JUNE	1,754,578	88,804	1,665,774	20,922	1,644,852
JULY	1,498,538	95,753	1,402,785	17,078	1,385,707
AUGUST	1,455,844	104,274	1,351,569	16,351	1,335,219
SEPTEMBER	1,362,279	111,094	1,251,185	14,974	1,236,211
OCTOBER	2,141,388	202,598	1,938,790	25,496	1,913,294
NOVEMBER	4,590,140	331,042	4,259,098	66,224	4,192,874
DECEMBER	7,682,931	483,567	7,199,365	118,725	7,080,640
JANUARY 2007	11,612,925	554,951	11,057,974	191,060	10,866,914
FEBRUARY	<u>10,497,552</u>	<u>475,747</u>	<u>10,021,806</u>	<u>173,676</u>	<u>9,848,130</u>
TOTAL	<u>59,286,540</u>	<u>3,225,647</u>	<u>56,060,893</u>	<u>924,672</u>	<u>55,136,221</u>

**PROJECTED APPLICABLE FUEL EXPENSE
SUMMARY
MARCH 2006 - FEBRUARY 2007**

	<u>MARCH</u>	<u>APRIL</u>	<u>MAY</u>	<u>JUNE</u>	<u>JULY</u>	<u>AUGUST</u>	<u>SEPTEMBER</u>	<u>OCTOBER</u>	<u>NOVEMBER</u>	<u>DECEMBER</u>	<u>JANUARY</u>	<u>FEBRUARY</u>	<u>TOTAL</u>
NATURAL GAS BILLED													
DEMAND CHARGE	5,514,275	5,127,643	5,079,519	5,098,843	5,079,519	5,078,722	5,164,983	5,147,859	5,600,135	5,926,543	5,926,543	5,903,332	64,647,916
COMMODITY CHARGE	52,455,703	60,375,763	53,910,346	44,407,150	42,218,246	41,638,833	40,861,538	44,797,460	46,819,414	70,634,570	91,113,116	67,882,870	657,115,008
TOTAL NATURAL GAS BILLED	57,969,978	65,503,406	58,989,864	49,505,993	47,297,764	46,717,555	46,026,521	49,945,319	52,419,549	76,561,113	97,039,659	73,786,202	721,762,923
INTERRUPTIBLE CREDIT	(4,233,851)	(2,490,301)	(1,347,725)	(873,878)	(947,265)	(1,033,352)	(1,114,294)	(2,133,197)	(3,663,384)	(5,727,837)	(6,731,615)	(5,410,191)	(35,706,890)
SENDOUT VOLUME IN MCF	409,244	265,853	140,722	91,957	99,155	107,986	115,055	209,876	342,981	501,035	575,009	492,938	3,341,811
DKT CONVERSION FACTOR	1.0380	1.0380	1.0380	1.0380	1.0380	1.0380	1.0380	1.0380	1.0380	1.0380	1.0380	1.0380	1.0380
PRICE \$/DKT	9.967	9.377	9.227	9.165	9.204	9.219	9.330	9.792	10.290	11.014	11.278	10.574	
GAS USED FOR UTILITY	(116,763)	(83,617)	(63,229)	(54,163)	(54,449)	(54,540)	(58,218)	(78,694)	(106,531)	(142,816)	(161,138)	(136,842)	(1,110,000)
NATURAL GAS TO STORAGE	-	22,983,903	29,399,964	28,206,281	28,221,599	27,583,355	22,410,601	7,405,327	2,159,037	-	-	-	168,370,067
FROM STORAGE	31,671,960	9,074,153	1,781,635	-	-	-	-	-	27,753,924	39,779,486	43,779,817	38,553,573	192,394,548
NET NATURAL GAS STORAGE	31,671,960	(13,909,750)	(27,618,328)	(28,206,281)	(28,221,599)	(27,583,355)	(22,410,601)	(7,405,327)	25,594,887	39,779,486	43,779,817	38,553,573	24,024,481
LNG TO STORAGE	1,925,137	3,405,032	3,716,209	2,658,229	-	-	2,635,624	4,459,236	5,078,424	-	-	-	23,877,891
FROM STORAGE	867,448	1,281,849	670,167	653,411	678,577	678,577	656,687	684,365	669,305	2,187,452	3,326,713	2,396,820	14,751,370
NET LNG STORAGE	(1,057,689)	(2,123,183)	(3,046,042)	(2,004,818)	678,577	678,577	(1,978,937)	(3,774,871)	(4,409,120)	2,187,452	3,326,713	2,396,820	(9,126,522)
NET NATURAL GAS EXPENSE	84,234,635	46,896,555	26,914,540	18,366,853	18,753,028	18,724,884	20,464,471	36,553,230	69,835,400	112,657,398	137,253,436	109,189,562	699,843,992
APPLICABLE GCR EXPENSE													
NET NATURAL GAS EXPENSE	84,234,635	46,896,555	26,914,540	18,366,853	18,753,028	18,724,884	20,464,471	36,553,230	69,835,400	112,657,398	137,253,436	109,189,562	699,843,992
PURCHASED ELECTRIC	90,730	75,960	79,125	21,100	92,840	102,853	82,200	86,000	78,800	92,000	160,500	106,000	1,058,118
TOTAL APPLICABLE EXPENSES	84,325,365	46,972,515	26,993,665	18,387,953	18,845,868	18,827,747	20,546,671	36,639,230	69,914,200	112,749,398	137,403,936	109,295,562	700,902,110
TOTAL FIRM SALES	7,809,625	5,434,780	2,668,144	1,665,774	1,402,785	1,351,569	1,251,185	1,938,790	4,269,098	7,199,365	11,067,974	10,021,806	56,060,893

GCR

STATEMENT OF RECONCILIATION

MARCH 2006 THROUGH FEBRUARY 2007

		NET COST OF FUEL	FIRM SALES	IRC FACTOR APPLIED	INTERRUPTIBLE REVENUE CREDIT	APPLICABLE EXPENSES	GCR FACTOR APPLIED	GCR REVENUE BILLED	OVER/(UNDER) RECOVERY	E FACTOR DISTRIBUTED ON GCR	CUMULATIVE OVER/(UNDER) RECOVERY
		1	2	3	4 = (2 * 3)	5 = (1 - 4)	6	7	8 = (7 - 5)	9	10
		\$	MCF	\$	\$	\$	\$	\$	\$	\$	\$
FEBRUARY 2006 UNDER-COLLECTION										38,408,983	
TOTAL "E" FACTOR										<u>38,408,983</u>	
<u>2006-2007</u>											
MARCH 06	Estimated	84,325,365	7,809,625	0.2022	1,578,985	82,746,380	12.7902	99,886,270	17,139,890	(5,350,606)	(21,269,093)
APRIL	Estimated	46,972,515	5,434,780	0.2022	1,098,828	45,873,686	13.0171	70,745,075	24,871,388	(3,723,529)	3,602,295
MAY	Estimated	26,993,665	2,668,144	0.2022	539,457	26,454,208	13.0171	34,731,491	8,277,283	(1,828,024)	11,879,579
JUNE	Estimated	18,387,953	1,665,774	0.2022	336,794	18,051,159	13.0171	21,683,546	3,632,387	(1,141,271)	15,511,966
JULY	Estimated	18,845,868	1,402,785	0.2022	283,621	18,562,247	13.0171	18,260,190	(302,057)	(961,090)	15,209,909
AUGUST	Estimated	18,827,747	1,351,569	0.2022	273,266	18,554,481	13.0171	17,593,513	(960,968)	(926,000)	14,248,941
SEPTEMBER	Estimated	20,546,671	1,251,185	0.2022	252,970	20,293,701	13.0171	16,286,797	(4,006,904)	(857,224)	10,242,037
OCTOBER	Estimated	36,639,230	1,938,790	0.2022	391,993	36,247,236	13.0171	25,237,419	(11,009,817)	(1,328,322)	(767,780)
NOVEMBER	Estimated	69,914,200	4,259,098	0.2022	861,124	69,053,077	13.0171	55,441,106	(13,611,970)	(2,918,035)	(14,379,750)
DECEMBER 06	Estimated	112,749,398	7,199,365	0.2022	1,455,600	111,293,798	13.0171	93,714,853	(17,578,945)	(4,932,499)	(31,958,695)
JANUARY 07	Estimated	137,403,936	11,057,974	0.2022	2,235,751	135,168,185	13.0171	143,942,752	8,774,566	(7,576,146)	(23,184,129)
FEBRUARY	Estimated	<u>109,295,562</u>	<u>10,021,806</u>	0.2022	<u>2,026,255</u>	<u>107,269,308</u>	13.0171	<u>130,454,845</u>	<u>23,185,537</u>	<u>(6,866,237)</u>	<u>1,408</u>
TOTAL		700,902,110	56,060,893		11,334,645	689,567,465		727,977,856	38,410,391	(38,408,983)	1,408

GCR

STATEMENT OF RECONCILIATION

SEPTEMBER 2005 THROUGH FEBRUARY 2006

		DEMAND CHARGES	COMMODITY CHARGES	NET COST OF FUEL	FIRM SALES	IRC FACTOR APPLIED	INTERRUPTIBLE REVENUE CREDIT	APPLICABLE EXPENSES	GCR FACTOR APPLIED	GCR REVENUE BILLED	MONTHLY OVER/(UNDER) RECOVERY	NATURAL GAS REFUNDS	CUMULATIVE OVER/(UNDER) RECOVERY
		1	2	3 = (1 + 2)	4	5	6 = (4 * 5)	7 = (3 - 6)	8	9	10 = (9 - 7)	11	12
		\$	\$	\$	MCF	\$	\$	\$	\$	\$	\$	\$	\$
2004-2005 OVER-COLLECTION													(21,368,705)
2004-2005 INTEREST													(121,542)
TOTAL "E" FACTOR													(21,490,247)
SEPTEMBER 2005	Actual	4,933,065	14,221,239	19,154,304	1,324,674	0.1839	243,608	18,910,696	9.3527	12,315,821	(6,594,875)	51,344	14,946,715
OCTOBER	Actual	5,022,174	33,925,218	38,947,392	1,464,380	0.1957	286,579	38,660,813	10.6274	15,702,556	(22,958,157)		(8,011,442)
NOVEMBER	Actual	5,715,023	57,452,866	63,167,889	3,381,901	0.1960	662,853	62,505,036	12.5632	42,217,575	(20,287,461)	16	(28,298,887)
DECEMBER	Actual	5,628,800	119,971,894	125,598,494	7,388,559	0.1960	1,448,158	124,150,336	12.5632	92,795,057	(31,355,279)		(59,654,167)
JANUARY 2006	Estimated	5,532,206	94,841,329	100,373,535	7,837,710	0.1960	1,536,191	98,837,344	12.5632	98,466,713	(370,631)		(60,024,797)
FEBRUARY	Estimated	5,530,955	95,429,258	100,960,213	9,606,874	0.1960	1,882,947	99,077,266	12.5632	120,693,079	21,615,814		(38,408,983)

RECONCILIATION OF DEMAND CHARGES

		DEMAND CHARGES	FIRM SALES	DEMAND CHARGE IN EFFECT	DEMAND CHARGES BILLED	MONTHLY DEMAND OVER/(UNDER)	CUMULATIVE DEMAND OVER/(UNDER)
		1	2	3	4 = (2 * 3)	5 = (4 - 1)	6
		\$	\$	\$	\$	\$	\$
SEPTEMBER 2005	Actual	4,933,065	1,324,674	1.1811	1,564,572	(3,368,493)	(3,368,493)
OCTOBER	Actual	5,022,174	1,464,380	1.1819	1,730,755	(3,291,419)	(6,659,911)
NOVEMBER	Actual	5,715,023	3,381,901	1.1838	4,003,494	(1,711,529)	(8,371,439)
DECEMBER	Actual	5,628,800	7,388,559	1.1838	8,746,576	3,119,976	(5,251,461)
JANUARY 2006	Estimated	5,532,206	7,837,710	1.1838	9,278,281	3,746,075	(1,505,385)
FEBRUARY	Estimated	5,530,955	9,606,874	1.1838	11,372,617	5,840,411	4,335,027

CALCULATION OF RECOVERED CHARGES

2ND QUARTER FILING

MARCH 2006 - FEBRUARY 2007

	<u>50% of March</u>	<u>11.5 Months</u>	<u>Total</u>
			<u>(MCF)</u> <u>(\$)</u>
Firm Sales (MCF)	3,904,813	52,156,081	56,060,893
GCR (\$/Mcf)	12.5632	13.0171	
Total Projected Recovery (\$)	<u>49,056,940</u>	<u>678,920,915</u>	<u>727,977,856</u>

STATEMENT OF RECONCILIATION

UNIVERSAL SERVICES & ENERGY CONSERVATION SURCHARGE

SEPTEMBER 2005 THROUGH FEBRUARY 2006

<u>Month</u>		<u>Applicable Sales</u>	<u>USC Charge</u>	<u>USC Revenue Billed</u>	<u>USC Expenses</u>	<u>Monthly Over/(Under) Recovery</u>	<u>Cumulative Over/(Under) Recovery</u>
FY 06 Reconciliation							(\$16,274,447)
September 2005	Actual	1,307,578	\$ 1.8398	\$ 2,405,682	\$ (555,503)	\$ 2,961,185	(\$13,313,262)
October	Actual	1,443,908	\$ 2.0379	\$ 2,942,577	\$ 574,822	\$ 2,367,755	(\$10,945,506)
November	Actual	3,322,571	\$ 2.3723	\$ 7,882,135	\$ 5,301,573	\$ 2,580,562	(\$8,364,944)
December	Actual	7,257,302	\$ 2.3723	\$ 17,216,498	\$ 20,496,931	\$ (3,280,433)	(\$11,645,378)
January 2006	Estimated	7,699,696	\$ 2.3723	\$ 18,265,989	\$ 19,282,238	\$ (1,016,249)	(\$12,661,627)
February	Estimated	9,431,313	\$ 2.3723	\$ 22,373,904	\$ 26,391,964	\$ (4,018,060)	(\$16,679,687)
Total		24,388,311		\$ 57,856,390	\$ 66,171,133	\$ (8,314,743)	(\$16,679,687)

<u>USC Expenses</u>	<u>Sep-05</u>	<u>Oct-05</u>	<u>Nov-05</u>	<u>Dec-05</u>	<u>Jan-06</u>	<u>Feb-06</u>
Conservation Works	\$ 15,736	\$ 103,262	\$ 129,176	\$ 180,876	\$ 196,369	\$ 196,369
CRP Discount	\$ (1,725,443)	\$ (794,969)	\$ 3,112,253	\$ 16,916,299	\$ 15,507,738	\$ 21,895,618
CRP Forgiveness	\$ 759,655	\$ 778,792	\$ 779,195	\$ 789,119	\$ 800,000	\$ 800,000
Senior Citizen Discount	\$ 394,549	\$ 487,737	\$ 1,280,949	\$ 2,610,637	\$ 2,778,131	\$ 3,499,977
	\$ (555,503)	\$ 574,822	\$ 5,301,573	\$ 20,496,931	\$ 19,282,238	\$ 26,391,964

Actual Natural Gas Billed

	<u>Oct-05</u>	<u>Nov-05</u>	<u>Dec-05</u>
Williams	\$ 2,295,923	\$ 2,270,295	\$ 2,370,748
Texas Eastern	\$ 2,365,387	\$ 2,643,973	\$ 2,729,759
Dominion	\$ 126,100	\$ 126,445	\$ 136,061
Equitrans	\$ 42,600	\$ 59,072	\$ 60,932
Spot Purchases -Transco	\$ 6,631,348	\$ 3,112,508	\$ 128,472
Spot Purchases -Tetco	\$ 1,126,882	\$ 992,200	\$ 518,082
Transco Supply1	\$ -	\$ -	\$ -
Transco Supply2	\$ 4,390,625	\$ 155,250	\$ 4,757,175
Transco Supply3	\$ -	\$ -	\$ -
Transco Supply4	\$ -	\$ -	\$ -
Transco Supply5	\$ -	\$ -	\$ -
Transco Supply6	\$ 3,373,525	\$ 67,080	\$ -
Transco Supply7	\$ 8,524,421	\$ 655,750	\$ 6,580,625
Transco Supply8	\$ 4,084,262	\$ 15,222,678	\$ 14,654,228
Transco Supply9	\$ -	\$ -	\$ -
Transco Supply10	\$ 4,970,860	\$ 4,176,350	\$ 10,554,912
Transco Supply11	\$ -	\$ -	\$ -
Transco Supply12	\$ -	\$ 4,087,091	\$ 3,792,850
Transco Supply13	\$ -	\$ -	\$ -
Transco Supply14	\$ 2,857,175	\$ 4,090,500	\$ 3,792,850
Transco Supply15	\$ -	\$ 11,789,995	\$ 7,607,400
Transco Supply16	\$ -	\$ -	\$ -
Transco Supply17	\$ 3,473,914	\$ 3,981,000	\$ 3,791,300
Transco Supply18	\$ -	\$ -	\$ -
Tetco Supply1	\$ 3,563,032	\$ 3,425,057	\$ 11,723,089
Tetco Supply2	\$ -	\$ 8,186,250	\$ 7,591,125
Tetco Supply3	\$ -	\$ -	\$ -
Tetco Supply4	\$ -	\$ -	\$ 891,361
Tetco Supply5	\$ -	\$ -	\$ -
Tetco Supply6	\$ -	\$ -	\$ -
Tetco Supply7	\$ 1,641,730	\$ 11,479,050	\$ 10,448,085
Tetco Supply8	\$ -	\$ -	\$ -
Tetco Supply9	\$ -	\$ -	\$ -
Tetco Supply10	\$ -	\$ -	\$ -
Tetco Supply11	\$ -	\$ -	\$ -
Tetco Supply12	\$ -	\$ -	\$ -
Tetco Supply13	\$ -	\$ 10,226,250	\$ 9,559,625
Tetco Supply14	\$ 5,457,455	\$ 3,949,500	\$ 3,758,750
Tetco Supply15	\$ 2,736,680	\$ 3,079,200	\$ 3,047,920
<u>Tetco Supply16</u>	<u>\$ 907,000</u>	<u>\$ 219,000</u>	<u>\$ 406,500</u>
Total Costs	\$ 58,568,916	\$ 93,994,495	\$ 108,901,851
Deferred Gas Payment	\$ 8,290,486	\$ (7,166,178)	\$ (7,166,178)
Off System Sales	\$ -	\$ -	\$ -
Gas Transportation Purchases	\$ 29,181	\$ 32,337	\$ 13,211
Adjustment/Reconciliation	\$ 93,368	\$ (5,885,555)	\$ 5,683,408
Total Natural Gas Billed	\$ 66,981,952	\$ 80,975,099	\$ 107,432,292

**Philadelphia Gas Works
Summary of Fuels Purchased
Three Months Ending December 2005**

	<u>Actual</u>			<u>Total</u>	<u>Projected 1st Qtr Filing</u>			<u>Total</u>	<u>Actual Over/Under vs Projected</u>			
	<u>Oct-05</u>	<u>Nov-05</u>	<u>Dec-05</u>		<u>Oct-05</u>	<u>Nov-05</u>	<u>Dec-05</u>		<u>Oct-05</u>	<u>Nov-05</u>	<u>Dec-05</u>	<u>Total</u>
Total Natural Gas Billed	\$ 66,981,952	\$ 80,975,099	\$ 107,432,292	\$ 255,389,343	\$ 56,404,218	\$ 83,915,999	\$ 80,370,259	\$ 220,690,476	\$ 10,577,734	\$ (2,940,900)	\$ 27,062,033	\$ 34,698,867
Less Interruptible Credit	\$ 2,055,828	\$ 3,440,341	\$ 4,054,403	\$ 9,550,572	\$ 1,885,871	\$ 2,278,101	\$ 2,843,143	\$ 7,007,115	\$ 169,957	\$ 1,162,240	\$ 1,211,260	\$ 2,543,457
Gas Used For Utility	\$ 60,267	\$ 124,007	\$ 153,796	\$ 338,070	\$ 99,029	\$ 126,412	\$ 142,163	\$ 367,604	\$ (38,762)	\$ (2,405)	\$ 11,633	\$ (29,534)
	64,865,857	77,410,751	103,224,093	245,500,701	54,419,318	81,511,486	77,384,953	213,315,757	10,446,539	(4,100,735)	25,839,140	32,184,944
Pipeline Storages												
(To)	\$ (22,116,800)	\$ (15,864,185)	\$ (1,940,072)	\$ (39,921,057)	\$ (19,657,576)	\$ (8,342,017)	\$ -	\$ (27,999,593)	\$ (2,459,224)	\$ (7,522,168)	\$ (1,940,072)	\$ (11,921,464)
From	\$ 1,686,774	\$ 6,757,387	\$ 24,745,914	\$ 33,190,075	\$ 890,720	\$ 14,388,769	\$ 32,270,531	\$ 47,550,020	\$ 796,054	\$ (7,631,382)	\$ (7,524,617)	\$ (14,359,945)
Net Pipeline Storages	\$ (20,430,026)	\$ (9,106,798)	\$ 22,805,842	\$ (6,730,982)	\$ (18,766,856)	\$ 6,046,752	\$ 32,270,531	\$ 19,550,427	\$ (1,663,170)	\$ (15,153,550)	\$ (9,464,699)	\$ (26,281,409)
LNG Storage												
(To)	\$ (6,095,104)	\$ (5,922,389)	\$ (2,149,762)	\$ (14,167,255)	\$ -	\$ (7,706,740)	\$ (7,198,803)	\$ (14,905,543)	\$ (6,095,104)	\$ 1,784,351	\$ 5,049,041	\$ 738,288
From	\$ 524,261	\$ 710,822	\$ 1,630,099	\$ 2,865,182	\$ 508,756	\$ 1,302,638	\$ 8,189,812	\$ 10,001,206	\$ 15,505	\$ (591,816)	\$ (6,559,713)	\$ (7,136,024)
Net LNG Storage	\$ (5,570,843)	\$ (5,211,567)	\$ (519,663)	\$ (11,302,073)	\$ 508,756	\$ (6,404,102)	\$ 991,009	\$ (4,904,337)	\$ (6,079,599)	\$ 1,192,535	\$ (1,510,672)	\$ (6,397,736)
Net Natural Gas	\$ 38,864,988	\$ 63,092,386	\$ 125,510,272	\$ 227,467,646	\$ 36,161,218	\$ 81,154,136	\$ 110,646,493	\$ 227,961,847	\$ 2,703,770	\$ (18,061,750)	\$ 14,863,779	\$ (494,201)
APPLICABLE GCR EXPENSES												
Net Natural Gas Expense	\$ 38,864,988	\$ 63,092,386	\$ 125,510,272	\$ 227,467,646	\$ 36,161,218	\$ 81,154,136	\$ 110,646,493	\$ 227,961,847	\$ 2,703,770	\$ (18,061,750)	\$ 14,863,779	\$ (494,201)
Electric	\$ 82,404	\$ 75,503	\$ 88,222	\$ 246,129	\$ 102,335	\$ 102,335	\$ 55,388	\$ 260,058	\$ (19,931)	\$ (26,832)	\$ 32,834	\$ (13,929)
Total GCR Expenses	\$ 38,947,392	\$ 63,167,889	\$ 125,598,494	\$ 227,713,775	\$ 36,263,554	\$ 81,256,471	\$ 110,701,881	\$ 228,221,905	\$ 2,683,839	\$ (18,088,582)	\$ 14,896,613	\$ (508,130)

Philadelphia Gas Works

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May 31, 2006

VIA EXPRESS MAIL

James J. McNulty
Secretary
PA Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor
Harrisburg, PA 17120

Re: Pa. PUC v. Philadelphia Gas Works; R-00050264,
June 1, 2006 Third Quarterly GCR Filing

Dear Secretary McNulty:

Enclosed for filing are an original and three (3) copies of PGW's June 1, 2006 Quarterly Gas Cost Rate ("GCR") filing. If you have any questions, please contact me.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Gregory J. Stunder", is written over a printed name. The signature is fluid and cursive.

Gregory J. Stunder

Enclosures

cc: All Parties of Record
Karen Moury, Esq.
Robert Rosenthal
Kerry Klinefelter

CERTIFICATE OF SERVICE

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

VIA FIRST CLASS MAIL

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Gregory J. Sunder, Esq.

Date: May 31, 2006

Statement

Known per dekatherm natural gas prices are used through the month of May 2006. Where known and quantifiable, actual per dekatherm prices for locked-in quantities of gas are used for all other months. Any remaining volumes not locked-in for price for the months of June 2006 through August 2006 are based on the NYMEX Futures Closing Prices of 5-4-06. For the period of September 2006 through May 2007, the average price of the NYMEX Futures Closing Prices of 5-4-06 and the May 2006 Global Insight Forecast were used. The latest applicable pipeline tariff transportation and fuel charges from specific basin points have been incorporated into these pricing determinants. Forecasted temperatures for the period are assumed to be normal (i.e. the forecast incorporates the normal 4,525 degree-day pattern).

JUNE 1, 2006

3rd QUARTER GCR FILING

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Philadelphia Gas Works
Levelized Gas Cost Rate
3rd Quarter Filing June 1, 2006

Formula:
GCR = SSC + GAC - IRC

where:

	<u>Demand</u>	<u>Commodity</u>	<u>Total</u>	
S = Firm Sales Volume (Mcf)			52,412,087	(Schedule 2)
Net Natural Gas Expense	\$ 65,735,365	\$ 546,365,307	\$ 612,100,671	
Purchased Electric Expense	\$	\$ 1,065,503	\$ 1,065,503	
C = Total Applicable GCR Expense	\$ 65,735,365	\$ 547,430,810	\$ 613,166,174	(Schedule 3)
SSC = C / S	\$ 1.2542	\$ 10.4447	\$ 11.6989	
Adjustment For:				
Prior Reconciliation	\$ (4,518,834)	\$ (6,344,341.646)	\$ (10,863,176)	(Schedule 5)
E = Adjustments to GCR Expenses	\$ (4,518,834)	\$ (6,344,342)	\$ (10,863,176)	
GAC = E / S	\$ (0.0862)	\$ (0.1210)	\$ (0.2072)	
Interruptible Revenue Credit			\$ 11,334,645	(Schedule 4)
IRC = Interruptible Revenue Credit / S			\$ 0.2163	
Net Applicable GCR Expenses = C + E - Interruptible Revenue Credit			\$ 590,968,354	
<u>GCR = SSC + GAC - IRC</u>			\$ 11.2754	
SSC in effect 06/01/06	\$ 1.2520	\$ 10.4266	\$ 11.6786	
GAC in effect 06/01/06	\$ (0.0861)	\$ (0.1208)	\$ (0.2069)	
IRC in effect 06/01/06			\$ (0.2159)	
GCR in effect 06/01/06			\$ 11.2558	(Schedule 6)
Recovery Test on:				
Firm Sales Volume (Mcf)			52,412,087	
= Total Projected Recovery			\$ 590,970,040	(Schedule 6)
Compared To				
Net Applicable GCR Expenses			\$ 590,968,354	
= Net Over/(Under) Recovery			\$ 1,687	(Schedule 4)
Degree Days			4,525	

SalesJune 2006 Through May 2007

<u>MONTH</u>	<u>TOTAL BILLED SALES</u>	<u>INTERRUPTIBLE SALES</u>	<u>TOTAL FIRM SALES</u>	<u>SENIOR CITIZEN DISCOUNT SALES</u>	<u>TOTAL APPLICABLE SALES</u>
JUNE 2006	1,663,002	87,247	1,575,755	21,192	1,554,563
JULY	1,397,575	94,176	1,303,399	16,891	1,286,508
AUGUST	1,346,837	102,725	1,244,112	16,020	1,228,092
SEPTEMBER	1,250,232	109,356	1,140,876	14,489	1,126,387
OCTOBER	1,999,967	201,115	1,798,852	24,133	1,774,719
NOVEMBER	4,290,857	319,586	3,971,271	62,054	3,909,217
DECEMBER	7,274,641	481,338	6,793,303	111,483	6,681,820
JANUARY 2007	11,020,591	551,256	10,469,335	179,512	10,289,823
FEBRUARY	9,865,708	461,979	9,403,729	161,995	9,241,734
MARCH	7,702,450	398,905	7,303,545	122,577	7,180,968
APRIL	5,239,975	247,148	4,992,827	83,975	4,908,851
MAY	<u>2,551,921</u>	<u>136,838</u>	<u>2,415,083</u>	<u>36,709</u>	<u>2,378,374</u>
TOTAL	<u>55,603,756</u>	<u>3,191,669</u>	<u>52,412,087</u>	<u>851,030</u>	<u>51,561,056</u>

**PROJECTED APPLICABLE FUEL EXPENSE
SUMMARY
JUNE 2006 - MAY 2007**

	<u>JUNE</u>	<u>JULY</u>	<u>AUGUST</u>	<u>SEPTEMBER</u>	<u>OCTOBER</u>	<u>NOVEMBER</u>	<u>DECEMBER</u>	<u>JANUARY</u>	<u>FEBRUARY</u>	<u>MARCH</u>	<u>APRIL</u>	<u>MAY</u>	<u>TOTAL</u>
NATURAL GAS BILLED													
DEMAND CHARGE	4,939,878	4,920,552	4,919,755	5,162,913	5,151,025	5,855,963	5,975,498	6,032,461	5,963,973	5,960,011	5,439,866	5,413,472	65,735,365
COMMODITY CHARGE	32,831,267	31,369,193	28,634,592	21,732,592	31,181,646	38,069,328	63,804,127	79,743,272	62,858,430	58,836,351	58,399,867	52,318,402	559,579,054
TOTAL NATURAL GAS BILLED	37,871,133	36,289,745	33,554,347	26,895,505	36,332,671	43,925,289	69,779,625	85,775,733	68,822,403	64,796,362	63,839,733	57,731,874	625,314,419
INTERRUPTIBLE CREDIT	(892,857)	(782,044)	(869,383)	(912,952)	(1,815,768)	(3,114,394)	(5,016,033)	(6,131,257)	(5,003,235)	(4,292,272)	(2,498,670)	(1,333,509)	(32,462,374)
SENDOUT VOLUME IN MCF	90,343	97,522	108,381	113,254	208,339	331,109	498,726	571,180	478,671	413,303	256,044	141,731	3,308,601
DKT CONVERSION FACTOR	1.0380	1.0380	1.0380	1.0380	1.0380	1.0380	1.0380	1.0380	1.0380	1.0380	1.0380	1.0380	
PRICE \$/DKT	7.388	7.726	7.873	7.766	8.396	9.062	9.690	10.341	10.070	10.005	9.402	9.064	
GAS USED FOR UTILITY	(40,704)	(42,582)	(43,375)	(48,408)	(67,812)	(92,993)	(126,930)	(149,300)	(131,825)	(114,082)	(81,571)	(61,240)	(1,000,802)
NATURAL GAS TO STORAGE	20,405,938	20,516,594	17,568,233	7,487,876	350,755	1,682,819					16,915,064	29,293,419	114,220,498
FROM STORAGE						22,507,230	31,777,954	39,033,346	32,157,512	21,164,704			146,640,746
NET NATURAL GAS STORAGE	(20,405,938)	(20,516,594)	(17,568,233)	(7,487,876)	(350,755)	20,824,411	31,777,954	39,033,346	32,157,512	21,164,704	(16,915,064)	(29,293,419)	32,420,248
LNG TO STORAGE	2,162,494			2,473,871	4,022,857	4,056,794	2,754,110			2,168,563	2,190,195	2,716,446	22,544,930
FROM STORAGE	826,243	642,485	642,588	621,958	845,946	628,543	1,438,196.0	1,711,820.0	1,420,162.0	666,969.7	652,408.4	676,791.8	10,374,110
NET LNG STORAGE	(1,536,251)	642,465	642,588	(1,851,713)	(3,376,711)	(3,428,252)	(1,315,914)	1,711,820	1,420,162	(1,501,593)	(1,537,787)	(2,039,654)	(12,170,820)
NET NATURAL GAS EXPENSE	14,895,383	15,591,029	15,715,944	15,594,756.5	30,721,624	58,114,062	95,098,701	120,240,342	97,265,016	80,053,119	42,808,841	25,004,052	612,100,871
APPLICABLE GCR EXPENSE													
NET NATURAL GAS EXPENSE	14,895,383	15,591,029	15,716,944	16,594,756	30,721,624	58,114,062	95,098,701	120,240,342	97,265,016	80,053,119	42,808,841	25,004,052	612,100,871
PURCHASED ELECTRIC	21,100	92,840	102,863	82,200	86,000	78,800	92,000	150,500	106,000	93,500	78,200	81,500	1,065,503
TOTAL APPLICABLE EXPENSES	14,916,483	15,683,869	15,818,807	16,676,956	30,807,624	58,192,862	95,190,701	120,390,842	97,371,016	80,146,619	42,884,841	25,085,552	613,166,174
TOTAL FIRM SALES	1,576,755	1,303,399	1,244,112	1,140,877	1,798,653	3,971,271	6,793,302	10,469,334	9,403,729	7,303,545	4,992,827	2,415,083	52,412,087

GCR
STATEMENT OF RECONCILIATION
JUNE 2006 THROUGH MAY 2007

		DEMAND CHARGES	COMMODITY CHARGES	NET COST OF FUEL 3 = (1 + 2)	FIRM SALES 4 MCF	IRC FACTOR APPLIED 5	INTERRUPTIBLE REVENUE CREDIT 6 = (4 * 5)	APPLICABLE EXPENSES 7 = (3 - 6)	GCR FACTOR APPLIED 8	GCR REVENUE BILLED 9	MONTHLY OVER/(UNDER) RECOVERY 10 = (9 - 7)	E FACTOR DISTRIBUTED ON GCR 11	CUMULATIVE OVER/(UNDER) RECOVERY 12
		\$	\$	\$		\$	\$	\$	\$	\$	\$	\$	\$
MAY 2006 OVER-COLLECTION												10,863,176	
TOTAL "E" FACTOR												10,863,176	
<u>2006-2007</u>													
JUNE	Estimated	4,939,876	9,976,607	14,916,483	1,575,755	0.2183	340,773	14,575,711	11.9095	18,766,454	4,190,743	326,598	15,053,919
JULY	Estimated	4,920,552	10,783,317	15,683,869	1,303,399	0.2163	281,873	15,401,996	11.2558	14,670,798	(731,198)	270,149	14,322,722
AUGUST	Estimated	4,919,755	10,899,052	15,818,807	1,244,112	0.2163	269,052	15,549,755	11.2558	14,003,476	(1,546,280)	257,861	12,776,442
SEPTEMBER	Estimated	5,162,913	11,514,043	16,676,956	1,140,877	0.2183	246,726	16,430,230	11.2558	12,841,483	(3,588,747)	236,464	9,187,695
OCTOBER	Estimated	5,151,025	25,656,599	30,807,624	1,798,853	0.2163	389,020	30,418,604	11.2558	20,247,530	(10,171,075)	372,839	(983,379)
NOVEMBER	Estimated	5,855,863	52,336,899	58,192,862	3,971,271	0.2163	858,828	57,334,034	11.2558	44,699,832	(12,634,202)	823,104	(13,817,581)
DECEMBER	Estimated	5,975,498	89,215,203	95,190,701	8,793,302	0.2163	1,469,120	93,721,581	11.2558	76,464,049	(17,257,532)	1,408,012	(30,875,113)
JANUARY	Estimated	6,032,481	114,358,381	120,390,842	10,469,334	0.2163	2,264,100	118,126,742	11.2558	117,840,730	(286,012)	2,169,923	(31,161,126)
FEBRUARY	Estimated	5,963,973	91,407,043	97,371,016	9,403,729	0.2163	2,033,652	95,337,364	11.2558	105,846,493	10,509,128	1,949,061	(20,651,997)
MARCH	Estimated	5,960,011	74,188,608	80,148,619	7,303,545	0.2163	1,579,466	78,567,153	11.2558	82,207,242	3,640,089	1,513,767	(17,011,909)
APRIL	Estimated	5,439,866	37,444,975	42,884,841	4,992,827	0.2163	1,079,749	41,805,092	11.2558	56,198,262	14,393,170	1,034,837	(2,618,739)
MAY	Estimated	5,413,472	19,672,060	25,085,552	2,415,083	0.2163	522,286	24,563,266	11.2558	27,183,691	2,620,425	500,561	1,687
TOTAL		65,735,365	547,430,809	613,166,174	52,412,087		11,334,645	601,831,529		590,970,040	(10,861,489)	10,863,176	1,687

GCR

STATEMENT OF RECONCILIATION

SEPTEMBER 2005 THROUGH MAY 2006

		1	2	3 = (1 + 2)	4	5	6 = (4 * 5)	7 = (3 - 6)	8	9	10 = (9 - 7)	11	12
		DEMAND CHARGES	COMMODITY CHARGES	NET COST OF FUEL	FIRM SALES	IRC FACTOR APPLIED	INTERRUPTIBLE REVENUE CREDIT	APPLICABLE EXPENSES	GCR FACTOR APPLIED	GCR REVENUE BILLED	MONTHLY OVER/(UNDER) RECOVERY	NATURAL GAS REFUNDS	CUMULATIVE OVER/(UNDER) RECOVERY
		\$	\$	\$	MCF	\$	\$	\$	\$	\$	\$	\$	\$
2004-2005 OVER-COLLECTION													21,368,705
2004-2005 INTEREST													121,542
TOTAL "E" FACTOR													21,490,247
SEPTEMBER 2005	Actual	4,933,065	14,221,239	19,154,304	1,324,674	0.1839	243,608	18,910,696	9.3527	12,315,821	(6,594,875)	51,344	14,946,715
OCTOBER	Actual	5,022,174	33,925,218	38,947,392	1,464,380	0.1957	286,579	38,660,813	10.6274	15,702,656	(22,958,157)	0	(8,011,442)
NOVEMBER	Actual	5,715,023	57,452,866	63,167,889	3,381,901	0.1960	662,853	62,505,036	12.5632	42,217,575	(20,287,461)	18	(28,298,867)
DECEMBER	Actual	5,826,600	119,971,894	125,798,494	7,388,559	0.1960	1,448,158	124,150,338	12.5632	92,795,057	(31,355,279)	0	(59,654,167)
JANUARY 2006	Actual	5,847,084	91,224,468	96,871,550	8,217,693	0.1960	1,610,668	95,260,882	12.5632	103,216,744	7,955,862	186,076	(51,512,229)
FEBRUARY	Actual	5,521,297	86,866,617	92,407,914	7,692,045	0.1960	1,507,641	90,900,273	12.5632	96,588,479	5,688,206	0	(45,824,022)
MARCH	Actual	5,353,913	87,271,252	92,625,165	7,273,912	0.1960	1,425,687	91,199,478	12.5632	91,370,401	20,170,923	0	(25,653,098)
APRIL	Estimated	4,968,676	31,562,350	36,531,026	5,004,866	0.1960	980,954	35,550,072	12.5632	62,877,128	27,327,055	0	1,673,957
MAY	Estimated	4,920,552	16,523,253	21,443,805	2,400,858	0.1960	470,568	20,973,237	12.5632	30,162,455	9,189,219	0	10,863,176

RECONCILIATION OF DEMAND CHARGES

		1	2	3	4 = (2 * 3)	5	6	7 = (6 - 1)	8
		DEMAND CHARGES	FIRM SALES	DEMAND CHARGE IN EFFECT	DEMAND CHARGES BILLED	ADJUSTMENT FOR ACTUAL REVENUE	ADJUSTED C FACTOR REVENUES BILLED	MONTHLY DEMAND OVER/(UNDER)	CUMULATIVE DEMAND OVER/(UNDER)
		\$	\$	\$	\$	\$	\$	\$	\$
SEPTEMBER 2005	Actual	4,933,065	1,324,674	1.1811	1,564,572	0.9941	1,555,296	(3,377,769)	(3,377,769)
OCTOBER	Actual	5,022,174	1,464,380	1.1819	1,730,755	1.0090	1,746,337	(3,275,837)	(6,653,606)
NOVEMBER	Actual	5,715,023	3,381,901	1.1836	4,003,494	0.9936	3,978,060	(1,736,963)	(8,390,569)
DECEMBER	Actual	5,826,600	7,388,559	1.1838	8,746,576	0.9997	8,743,854	3,117,254	(5,273,315)
JANUARY 2006	Actual	5,847,084	8,217,693	1.1838	9,728,106	0.9998	9,725,865	4,078,781	(1,194,534)
FEBRUARY	Actual	5,521,297	7,692,045	1.1838	9,105,643	0.9995	9,101,299	3,580,002	2,385,468
MARCH	Actual	5,353,913	7,273,912	1.1838	8,610,857	0.9999	8,609,612	3,255,699	5,641,167
APRIL	Estimated	4,968,676	5,004,866	1.1838	5,924,760	1.0000	5,924,760	956,084	6,597,251
MAY	Estimated	4,920,552	2,400,858	1.1838	2,842,135	1.0000	2,842,135	(2,078,417)	4,518,834

CALCULATION OF RECOVERED CHARGES

3rd QUARTER FILING

JUNE 2006 - MAY 2007

	<u>50% of June</u>	<u>11.5 Months</u>	<u>Total</u>
Firm Sales (MCF)	787,878	51,624,210	52,412,087
GCR (\$/Mcf)	\$ 12.5632	\$ 11.2558	
Total Projected Recovery	\$ 9,898,263	\$ 581,071,777	\$ 590,970,040

Change In Rates 3rd Quarter GCR Filing

Rates Effective June 1, 2006.*

Distribution Charge

	<u>Delivery Charge</u>			<u>Surcharges</u>			Total Distribution Charge / Mcf
	<u>Base Charge</u>	<u>Revenue Realignment Adjustment</u>	<u>Sub-Total Delivery Charge</u>	<u>Restructuring & Consumer Education</u>	<u>Universal Service & Ener. Cons.</u>	<u>Sub-Total Surcharges</u>	
Residential GS/PHAGS	\$4.1223	\$0.0901	\$4.2124	\$0.0771	\$2.7508	\$2.8279	\$7.0403
Commercial GS/MUNGS	\$4.2155	\$0.0901	\$4.3056	\$0.0771	\$2.7508	\$2.8279	\$7.1335
Industrial GS	\$4.2128	\$0.0901	\$4.3029	\$0.0771	\$2.7508	\$2.8279	\$7.1308
Phila.Housing Authority (PHA)	\$4.2051	\$0.0901	\$4.2952	\$0.0771	\$2.7508	\$2.8279	\$7.1231
Municipal (MS)	\$3.0569	\$0.0901	\$3.1470	\$0.0771	\$2.7508	\$2.8279	\$5.9749

Proposed Rates

	<u>10/7/05 Distribution Charge</u> (1)	<u>10/7/05 GCR</u> (2)	<u>10/7/05 Commodity Rate</u> (3)=(1)+(2)	<u>6/1/06 Distribution Charge</u> (4)	<u>6/1/06 GCR</u> (5)	<u>6/1/06 Commodity Rate</u> (6)=(4)+(5)	<u>Decrease</u> (7)=(6)-(3)
Residential GS/PHAGS	\$6.6618	\$12.5632	\$19.2250	\$7.0403	\$11.2558	\$18.2961	(\$0.9289)
Commercial GS/MUNGS	\$6.7550	\$12.5632	\$19.3182	\$7.1335	\$11.2558	\$18.3893	(\$0.9289)
Industrial GS	\$6.7523	\$12.5632	\$19.3155	\$7.1308	\$11.2558	\$18.3866	(\$0.9289)
Phila.Housing Authority (PHA)	\$6.7446	\$12.5632	\$19.3078	\$7.1231	\$11.2558	\$18.3789	(\$0.9289)
Municipal (MS)	\$5.5964	\$12.5632	\$18.1596	\$5.9749	\$11.2558	\$17.2307	(\$0.9289)

* Excludes Customer Charge

**Philadelphia Gas Works
June 1, 2006**

UNIVERSAL SERVICE & ENERGY CONSERVATION SURCHARGE

	<u>Expenses in the Surcharge</u>
Conservation Works Program (CWP)	2,000,000
Customer Responsibility Program (CRP) Discount	92,896,676
Senior Citizen Discount	14,667,949
May 2006 Under Collection	<u>32,269,300</u>
Total \$ to be Recovered	\$ 141,833,925
 Applicable Sales Volume	 Mcf 51,561,056
 Universal Service & Energy Conservation Surcharge	 \$ 2.7508

* This is the Senior Citizen Discount on the Delivery Charge, GCR and Restructuring Surcharge which is used to calculate the Universal Services Surcharge. The total Senior Citizen Discount is \$17,004,951.

STATEMENT OF RECONCILIATION

UNIVERSAL SERVICES & ENERGY CONSERVATION SURCHARGE

SEPTEMBER 2005 TO MAY 2006

<u>Month</u>	<u>Applicable Sales</u>	<u>USC Charge</u>	<u>USC Revenue Billed</u>	<u>USC Expenses</u>	<u>Monthly Over/(Under) Recovery</u>	<u>Cumulative Over/(Under) Recovery</u>
FY 05 Reconciliation						\$ (16,274,447)
September 2005	Actual 1,307,578	\$ 1,8398	\$ 2,405,682	\$ (555,503)	\$ 2,961,185	\$ (13,313,262)
October	Actual 1,443,908	\$ 2,0379	\$ 2,942,577	\$ 574,821	\$ 2,367,756	\$ (10,945,505)
November	Actual 3,322,571	\$ 2,3723	\$ 7,882,135	\$ 5,301,572	\$ 2,580,563	\$ (8,364,942)
December	Actual 7,257,302	\$ 2,3723	\$ 17,216,498	\$ 20,496,931	\$ (3,280,433)	\$ (11,645,376)
January 2006	Actual 8,071,248	\$ 2,3723	\$ 19,147,422	\$ 26,162,977	\$ (7,015,555)	\$ (18,660,931)
February	Actual 7,558,977	\$ 2,3723	\$ 17,932,161	\$ 25,068,370	\$ (7,136,209)	\$ (25,797,139)
March	Actual 7,151,914	\$ 2,3723	\$ 16,966,486	\$ 23,428,690	\$ (6,462,204)	\$ (32,259,344)
April	Estimated 4,915,776	\$ 2,3723	\$ 11,661,695	\$ 13,529,194	\$ (1,867,499)	\$ (34,126,843)
May	Estimated 2,361,853	\$ 2,3723	\$ 5,603,024	\$ 3,745,481	\$ 1,857,543	\$ (32,269,300)
Total	43,391,127		\$ 101,757,680	\$ 117,752,533	\$ (15,994,853)	\$ (32,269,300)

<u>USC Expenses</u>	<u>Sep-05</u>	<u>Oct-05</u>	<u>Nov-05</u>	<u>Dec-05</u>	<u>Jan-06</u>	<u>Feb-06</u>	<u>Mar-06</u>	<u>Apr-06</u>	<u>May-06</u>	<u>Total</u>
Conservation Works	\$ 15,736	\$ 103,262	\$ 129,176	\$ 180,876	\$ 117,949	\$ 147,125	\$ 61,315	\$ 248,912	\$ 248,912	\$ 1,253,263
CRP Discount	\$ (1,725,443)	\$ (794,969)	\$ 3,112,253	\$ 16,916,299	\$ 22,222,990	\$ 21,339,644	\$ 19,901,410	\$ 10,645,046	\$ 1,824,282	\$ 93,441,512
CRP Forgiveness	\$ 759,655	\$ 778,792	\$ 779,195	\$ 789,119	\$ 793,578	\$ 790,555	\$ 1,000,525	\$ 800,000	\$ 800,000	\$ 7,291,419
Senior Citizen Discount	\$ 394,549	\$ 487,736	\$ 1,280,948	\$ 2,610,637	\$ 3,028,460	\$ 2,791,046	\$ 2,465,440	\$ 1,835,236	\$ 872,287	\$ 15,766,339
	\$ (555,503)	\$ 574,821	\$ 5,301,572	\$ 20,496,931	\$ 26,162,977	\$ 25,068,370	\$ 23,428,690	\$ 13,529,194	\$ 3,745,481	\$ 117,752,533

Natural Gas Prices Used In PGW's 3rd Quarter GCR Filing

June 1, 2006

	GLOBAL INSIGHT(GI) PRICES										Basis Differentials							NYMEX Futures 5/4/06 Close	Prices Used For Gas Cost Inputs											
	Traneco			TETCO				May 2006 Henry Hub	Traneco			TETCO				ACTUAL	Traneco			TETCO										
	Sta.30	Sta. 45	Sta. 65	ELA	WLA	ETX	STX		Average ELA/ETX	M-1	Sta 30	Sta 45	Sta 65	ELA	WLA		ETX		STX	Average ELA/ETX	M-1	Sta 30	Sta 45	Sta 65	ELA	WLA	ETX	STX	ELA/ETX	M-1
2006.5																														
2006.6	7.17	7.18	7.28	7.21	7.20	7.18	7.10	7.20	7.28	7.27	(0.10)	(0.09)	0.01	(0.06)	(0.07)	(0.09)	(0.17)	(0.07)	0.01	6.906	NYMEX	6.84	6.84	6.93	7.08	7.00	6.70	6.66	6.89	6.97
2006.7	7.13	7.15	7.25	7.18	7.17	7.14	7.05	7.18	7.26	7.24	(0.11)	(0.09)	0.01	(0.06)	(0.07)	(0.10)	(0.19)	(0.08)	0.02	7.148	NYMEX	6.81	6.82	6.92	6.85	6.84	6.82	6.74	6.83	6.92
2006.8	6.93	6.94	7.04	6.97	6.96	6.94	6.85	6.96	7.05	7.03	(0.10)	(0.09)	0.01	(0.06)	(0.07)	(0.10)	(0.18)	(0.08)	0.02	7.388	NYMEX	7.04	7.06	7.16	7.09	7.08	7.05	6.96	7.07	7.17
2006.9	7.19	7.18	7.29	7.22	7.21	7.18	7.12	7.20	7.29	7.28	(0.09)	(0.10)	0.01	(0.06)	(0.07)	(0.10)	(0.16)	(0.08)	0.01	7.668	GI-NYMEX	7.29	7.30	7.40	7.33	7.32	7.30	7.21	7.31	7.41
2006.10	8.01	8.00	8.12	8.05	8.04	7.99	7.94	8.02	8.12	8.11	(0.10)	(0.11)	0.01	(0.06)	(0.07)	(0.12)	(0.17)	(0.09)	0.01	8.051	GI-NYMEX	7.38	7.37	7.48	7.41	7.40	7.37	7.31	7.39	7.48
2006.11	9.35	9.34	9.48	9.41	9.39	9.30	9.26	9.36	9.50	9.48	(0.11)	(0.12)	0.02	(0.05)	(0.07)	(0.16)	(0.20)	(0.11)	0.04	9.391	GI-NYMEX	7.98	7.97	8.09	8.02	8.01	7.96	7.91	7.99	8.09
2006.12	9.19	9.21	9.34	9.29	9.25	9.15	9.08	9.22	9.39	9.33	(0.14)	(0.12)	0.01	(0.04)	(0.08)	(0.18)	(0.25)	(0.11)	0.06	10.691	GI-NYMEX	9.32	9.31	9.45	9.38	9.36	9.27	9.23	9.32	9.47
2007.1	10.66	10.67	10.81	10.76	10.72	10.53	10.55	10.65	10.87	10.80	(0.14)	(0.13)	0.01	(0.04)	(0.08)	(0.27)	(0.25)	(0.16)	0.07	11.391	GI-NYMEX	9.87	9.89	10.02	9.97	9.93	9.83	9.76	9.90	10.07
2007.2	9.90	9.92	10.05	10.01	9.96	9.79	9.80	9.90	10.10	10.04	(0.14)	(0.12)	0.01	(0.03)	(0.08)	(0.25)	(0.24)	(0.14)	0.06	11.406	GI-NYMEX	10.96	10.97	11.11	11.06	11.02	10.83	10.85	10.94	11.17
2007.3	9.30	9.31	9.43	9.38	9.35	9.22	9.22	9.30	9.46	9.42	(0.12)	(0.11)	0.01	(0.04)	(0.07)	(0.20)	(0.20)	(0.12)	0.04	11.201	GI-NYMEX	10.58	10.60	10.73	10.69	10.64	10.47	10.48	10.58	10.78
2007.4	8.67	8.68	8.79	8.72	8.71	8.66	8.61	8.69	8.80	8.78	(0.11)	(0.10)	0.01	(0.06)	(0.07)	(0.12)	(0.17)	(0.09)	0.02	9.311	GI-NYMEX	10.18	10.20	10.32	10.27	10.24	10.11	10.11	10.19	10.35
2007.5	8.62	8.62	8.73	8.65	8.65	8.61	8.56	8.63	8.72	8.72	(0.10)	(0.10)	0.01	(0.07)	(0.07)	(0.11)	(0.16)	(0.09)	-	9.101	GI-NYMEX	8.84	8.85	8.96	8.99	8.98	8.93	8.88	8.96	9.07

Actual Natural Gas Billed

	<u>Jan-06</u>	<u>Feb-06</u>	<u>Mar-06</u>
Williams	\$ 2,246,002	\$ 2,062,729	\$ 2,250,317
Texas Eastern	\$ 2,584,569	\$ 2,580,908	\$ 2,536,910
Dominion	\$ 134,871	\$ 135,134	\$ 130,712
Equitrans	\$ 61,242	\$ 60,981	\$ 59,756
Spot Purchases -Transco	\$ 14,530	\$ 160	\$ 12,338
Spot Purchases -Tetco	\$ -	\$ -	\$ -
Transco Supply1	\$ -	\$ -	\$ -
Transco Supply2	\$ 835,096	\$ 261,592	\$ 385,723
Transco Supply3	\$ -	\$ -	\$ -
Transco Supply4	\$ -	\$ -	\$ -
Transco Supply5	\$ -	\$ -	\$ -
Transco Supply6	\$ -	\$ 1,105,081	\$ 560,688
Transco Supply7	\$ 874,647	\$ 396,692	\$ 460,199
Transco Supply8	\$ 14,499,228	\$ 11,896,778	\$ 13,107,328
Transco Supply9	\$ -	\$ -	\$ -
Transco Supply10	\$ 5,845,255	\$ 3,868,134	\$ 4,436,035
Transco Supply11	\$ -	\$ -	\$ -
Transco Supply12	\$ 3,808,350	\$ 2,485,000	\$ 2,431,950
Transco Supply13	\$ -	\$ -	\$ -
Transco Supply14	\$ 3,684,350	\$ 2,588,600	\$ 2,300,200
Transco Supply15	\$ 7,390,400	\$ 5,545,379	\$ 6,212,400
Transco Supply16	\$ -	\$ -	\$ -
Transco Supply17	\$ 3,682,800	\$ 2,473,800	\$ 2,433,500
Transco Supply18	\$ -	\$ -	\$ -
Tetco Supply1	\$ 1,570,366	\$ 4,028,623	\$ 1,360,303
Tetco Supply2	\$ 7,583,375	\$ 6,604,500	\$ 6,816,125
Tetco Supply3	\$ -	\$ -	\$ -
Tetco Supply4	\$ -	\$ -	\$ -
Tetco Supply5	\$ -	\$ -	\$ -
Tetco Supply6	\$ -	\$ -	\$ -
Tetco Supply7	\$ 10,227,210	\$ 8,645,840	\$ 9,542,885
Tetco Supply8	\$ -	\$ -	\$ -
Tetco Supply9	\$ -	\$ -	\$ -
Tetco Supply10	\$ -	\$ -	\$ -
Tetco Supply11	\$ -	\$ -	\$ -
Tetco Supply12	\$ -	\$ -	\$ -
Tetco Supply13	\$ 12,741,775	\$ 8,934,100	\$ 8,907,075
Tetco Supply14	\$ 3,650,250	\$ 2,857,400	\$ 3,182,150
Tetco Supply15	\$ 2,961,120	\$ 2,114,560	\$ 2,217,120
Tetco Supply16	\$ -	\$ 516,200	\$ 263,200
Total Costs	\$ 84,395,435	\$ 69,162,191	\$ 69,606,914
Deferred Gas Payment	\$ (7,166,178)	\$ (7,166,178)	\$ (7,166,178)
Off System Sales	\$ -	\$ -	\$ -
Gas Transportation Purchases	\$ 2,917	\$ 2,043	\$ 5,457
Adjustment/Reconciliation	\$ 266,374	\$ 24,841	\$ 243,177
Total Natural Gas Billed	\$ 77,498,548	\$ 62,022,897	\$ 62,689,369

**Philadelphia Gas Works
Summary of Fuels Purchased
Three Months Ending March 2006**

	Actual			Total	Projected	Projected	Projected	Total	Actual Over/Under vs. Projected			
	Jan-06	Feb-06	Mar-06		2nd Qtr Filing Jan-06	2nd Qtr Filing Feb-06	2nd Qtr Filing Mar-06		Jan-06	Feb-06	Mar-06	Total
Total Natural Gas Billed	\$ 77,498,548	\$ 82,022,897	\$ 62,689,369	\$ 202,210,814	\$ 78,059,089	\$ 61,183,474	\$ 57,969,978	\$ 197,212,541	\$ (560,541)	\$ 839,423	\$ 4,719,391	\$ 4,998,273
Less Interruptible Credit Gas Used For Utility	\$ 5,928,499	\$ 1,975,873	\$ 2,819,562	\$ 10,721,734	\$ 5,319,303	\$ 4,913,380	\$ 4,233,851	\$ 14,486,534	\$ 607,198	\$ (2,937,707)	\$ (1,414,289)	\$ (3,744,800)
	\$ 159,830	\$ 112,853	\$ 105,641	\$ 378,324	\$ 163,485	\$ 127,883	\$ 115,763	\$ 406,931	\$ (3,655)	\$ (14,830)	\$ (10,122)	\$ (28,607)
	71,412,219	58,934,371	59,764,166	\$ 191,110,756	72,578,301	56,142,411	53,620,364	\$ 182,339,076	(1,164,082)	3,791,980	6,143,802	\$ 8,771,680
Pipeline Storages												
(To)	\$ (1,147,009)	\$ (1,280,509)	\$ (5,412,563)	\$ (7,840,081)	\$	\$	\$	\$	\$ (1,147,009)	\$ (1,280,509)	\$ (5,412,563)	\$ (7,840,081)
From	\$ 25,443,567	\$ 32,405,751	\$ 17,020,220	\$ 74,869,538	\$ 25,835,556	\$ 40,731,100	\$ 31,671,960	\$ 98,238,616	\$ (391,989)	\$ (8,325,349)	\$ (14,651,740)	\$ (23,369,078)
Net Pipeline Storages	\$ 24,296,558	\$ 31,125,242	\$ 11,607,657	\$ 67,029,457	\$ 25,835,556	\$ 40,731,100	\$ 31,671,960	\$ 98,238,616	\$ (1,538,998)	\$ (9,605,858)	\$ (20,064,303)	\$ (31,209,159)
LNG Storage												
(To)	\$ (64,786)	\$	\$ (497)	\$ (65,283)	\$	\$	\$ (1,925,137)	\$ (1,925,137)	\$ (64,786)	\$	\$ 1,924,640	\$ 1,859,854
From	\$ 1,126,305	\$ 1,265,164	\$ 1,158,858	\$ 3,550,327	\$ 1,815,560	\$ 3,983,840	\$ 867,448	\$ 6,666,848	\$ (689,255)	\$ (2,718,676)	\$ 291,410	\$ (3,116,521)
Net LNG Storage	\$ 1,061,519	\$ 1,265,164	\$ 1,158,361	\$ 3,485,044	\$ 1,815,560	\$ 3,983,840	\$ (1,057,688)	\$ 4,741,712	\$ (754,041)	\$ (2,718,676)	\$ 2,216,049	\$ (1,256,668)
Net Natural Gas	\$ 96,770,298	\$ 92,324,777	\$ 72,530,184	\$ 261,625,257	\$ 100,227,417	\$ 100,857,351	\$ 84,234,636	\$ 285,319,404	\$ (3,457,121)	\$ (8,532,574)	\$ (11,704,452)	\$ (23,694,147)
APPLICABLE GCR EXPENSES												
Net Natural Gas Expense	\$ 96,770,298	\$ 92,324,777	\$ 72,530,184	\$ 261,625,257	\$ 100,227,417	\$ 100,857,351	\$ 84,234,636	\$ 285,319,404	\$ (3,457,121)	\$ (8,532,574)	\$ (11,704,452)	\$ (23,694,147)
Electric	\$ 101,254	\$ 83,137	\$ 94,981	\$ 279,372	\$ 146,118	\$ 102,863	\$ 90,730	\$ 339,711	\$ (44,864)	\$ (19,726)	\$ 4,251	\$ (60,339)
Total GCR Expenses	\$ 96,871,550	\$ 92,407,914	\$ 72,625,165	\$ 261,904,629	\$ 100,373,535	\$ 100,960,213	\$ 84,325,365	\$ 285,659,114	\$ (3,501,985)	\$ (8,552,300)	\$ (11,700,201)	\$ (23,754,486)

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August 29, 2006

VIA HAND DELIVERY


James McNulty
Secretary
PA Public Utility Commission
Commonwealth Keystone Bldg. 2nd Fl.,
400 North Street
P.O. Box 3265
Harrisburg, PA 17105-3265

Re: Pa PUC v. Philadelphia Gas Works, R-00061296
September 1, 2006 Fourth Quarterly GCR Filing

Dear Secretary McNulty:

On behalf of Philadelphia Gas Works ("PGW") enclosed for filing are an original and three copies of its September 1, 2006 Quarterly Gas Cost Rate ("GCR") filing. Please note that this filing does not make a change in PGW's GCR rate and makes a tiny (\$0.0109/Mcf) decrease in the Restructuring and Consumer Education Surcharge. If you have any questions, please do not hesitate to contact me.

Very truly yours,



Daniel Clearfield
For WOLF, BLOCK, SCHORR and SOLIS-COHEN LLP

DC/lww
Enclosure

cc: Cert. of Service w/enc.
Karen Moury, Esq. w/enc.
Robert Rosenthal w/enc.
Kerry Klinefelter w/enc.

HAR:67897.1/PHI211-236005

CERTIFICATE OF SERVICE

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

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Dated: August 29, 2006


Daniel Clearfield, Esq.

Statement

Known per dekatherm natural gas prices are used through the month of August 2006. Where known and quantifiable, actual per dekatherm prices for locked-in quantities of gas are used for all other months. Any remaining volumes not locked-in for price for the months of September 2006 through November 2006 are based on the NYMEX Futures Closing Prices of 8-1-06. For the period of December 2006 through August 2007, the average price of the NYMEX Futures Closing Prices of 8-1-06 and the August 2006 Global Insight Forecast were used. The latest applicable pipeline tariff transportation and fuel charges from specific basin points have been incorporated into these pricing determinants. Forecasted temperatures for the period are assumed to be normal (i.e. the forecast incorporates the normal 4,525 degree-day pattern).

SEPTEMBER 1, 2006

4th QUARTER GCR FILING

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Philadelphia Gas Works
Levelized Gas Cost Rate
4th Quarter Filing September 1, 2006

Formula:
GCR = SSC + GAC - IRC

where:

	<u>Demand</u>	<u>Commodity</u>	<u>Total</u>	
S = Firm Sales Volume (Mcf)			52,643,543	(Schedule 2)
<hr/>				
Net Natural Gas Expense	\$ 65,931,413	\$ 552,760,218	\$ 618,691,631	
Purchased Electric Expense	\$	\$ 1,072,000	\$ 1,072,000	
C = Total Applicable GCR Expense	\$ 65,931,413	\$ 553,832,218	\$ 619,763,631	(Schedule 3)
<hr/>				
SSC = C / S	\$ 1.2524	\$ 10.5204	\$ 11.7728	
<hr/>				
Adjustment For:				
Interest		1,538,301	1,538,301	(Schedule 5b)
Prior Reconciliation	\$ 6,939,723	\$ (12,893,014)	\$ (5,953,291)	(Schedule 7)
E = Adjustments to GCR Expenses	\$ 6,939,723	\$ (11,354,713)	\$ (4,414,990)	
<hr/>				
GAC = E / S	\$ 0.1318	\$ (0.2157)	\$ (0.0838)	
<hr/>				
Interruptible Revenue Credit			\$ 7,327,772	(Schedule 4a)
IRC = Interruptible Revenue Credit / S			\$ 0.1392	
<hr/>				
Net Applicable GCR Expenses = C + E - Interruptible Revenue Credit			\$ 608,020,869	
<u>GCR = SSC + GAC - IRC</u>			\$ 11.5498	
<hr/>				
SSC in effect 09/01/06	\$ 1.2528	\$ 10.5233	\$ 11.7761	
GAC in effect 09/01/06	\$ 0.1319	\$ (0.2157)	\$ (0.0839)	
IRC in effect 09/01/06			\$ (0.1392)	
GCR in effect 09/01/06			\$ 11.5530	(Schedule 8)
<hr/>				
Recovery Test on:				
Firm Sales Volume (Mcf)			52,643,543	
= Total Projected Recovery			\$ 608,021,185	(Schedule 8)
Compared To				
Net Applicable GCR Expenses			\$ 608,020,869	
= Net Over/(Under) Recovery			<u>\$ 316</u>	(Schedule 6)
<hr/>				
Degree Days			4,525	

Sales

September 2006 Through August 2007

<u>MONTH</u>	<u>TOTAL BILLED SALES</u>	<u>INTERRUPTIBLE SALES</u>	<u>TOTAL FIRM SALES</u>	<u>SENIOR CITIZEN DISCOUNT SALES</u>	<u>TOTAL APPLICABLE SALES</u>
SEPTEMBER 2006	1,234,076	92,298	1,141,778	14,097	1,127,681
OCTOBER	1,960,341	158,663	1,801,679	23,287	1,778,392
NOVEMBER	4,230,627	246,172	3,984,455	59,982	3,924,473
DECEMBER	7,185,853	366,977	6,818,876	106,863	6,712,013
JANUARY 2007	10,936,730	421,527	10,515,204	172,363	10,342,841
FEBRUARY	9,799,044	355,116	9,443,929	154,221	9,289,708
MARCH	7,644,093	310,207	7,333,886	116,886	7,217,000
APRIL	5,209,537	196,551	5,012,986	79,384	4,933,602
MAY	2,536,031	113,373	2,422,658	34,755	2,387,903
JUNE	1,674,536	79,028	1,595,508	18,804	1,576,704
JULY	1,402,322	86,111	1,316,211	14,928	1,301,282
AUGUST	<u>1,344,972</u>	<u>88,599</u>	<u>1,256,373</u>	<u>14,172</u>	<u>1,242,201</u>
TOTAL	<u>55,158,163</u>	<u>2,514,620</u>	<u>52,643,543</u>	<u>809,742</u>	<u>51,833,800</u>

**PROJECTED APPLICABLE FUEL EXPENSE
SUMMARY
SEPTEMBER 2006 - AUGUST 2007**

	<u>SEPTEMBER</u>	<u>OCTOBER</u>	<u>NOVEMBER</u>	<u>DECEMBER</u>	<u>JANUARY</u>	<u>FEBRUARY</u>	<u>MARCH</u>	<u>APRIL</u>	<u>MAY</u>	<u>JUNE</u>	<u>JULY</u>	<u>AUGUST</u>	<u>TOTAL</u>
NATURAL GAS BILLED													
DEMAND CHARGE	5,207,122	5,189,082	5,841,054	5,886,365	5,890,562	5,896,843	5,886,364	5,260,355	5,214,309	5,231,555	5,214,309	5,213,512	65,931,413
COMMODITY CHARGE	36,018,798	39,605,344	42,515,558	54,362,652	86,042,541	53,213,590	56,034,602	53,729,068	51,801,368	43,553,561	40,579,385	40,574,220	598,030,686
TOTAL NATURAL GAS BILLED	41,225,920	44,794,406	48,356,612	60,249,017	91,933,103	59,110,433	61,920,966	56,989,423	57,015,677	48,785,116	45,793,694	45,787,732	663,962,098
INTERRUPTIBLE CREDIT	(720,118)	(1,352,960)	(2,371,920)	(3,839,843)	(4,764,291)	(3,728,151)	(3,395,201)	(1,988,086)	(1,096,242)	(757,941)	(835,591)	(863,191)	(25,713,536)
SENDOUT VOLUME IN MCF	95,638	164,408	255,092	380,278	436,807	367,987	321,449	203,671	117,476	81,886	89,225	91,803	2,605,721
DKT CONVERSION FACTOR	1.0380	1.0380	1.0380	1.0380	1.0380	1.0380	1.0380	1.0380	1.0380	1.0380	1.0380	1.0380	1.0380
PRICE \$/DKT	7.254	7.928	8.958	9.728	10.508	9.760	10.176	9.404	8.990	8.917	9.022	9.058	
GAS USED FOR UTILITY	(41,691)	(56,533)	(78,575)	(106,047)	(125,099)	(104,769)	(96,553)	(71,837)	(55,602)	(49,127)	(49,705)	(49,905)	(887,442)
NATURAL GAS TO STORAGE	21,882,417	7,437,570	4,290,503	-	-	-	-	16,222,469	28,998,577	29,206,794	27,847,454	27,814,070	163,699,855
FROM STORAGE	-	-	19,312,737	31,045,296	31,791,670	37,522,113	23,681,206	3,353,762	-	-	-	-	146,706,783
NET NATURAL GAS STORAGE	(21,882,417)	(7,437,570)	15,022,233	31,045,296	31,791,670	37,522,113	23,681,206	(12,868,707)	(28,998,577)	(29,206,794)	(27,847,454)	(27,814,070)	(16,993,071)
LNG TO STORAGE	2,950,925	6,763,841	4,430,174	-	-	-	1,100,592	1,903,586	2,839,795	2,093,080	-	-	22,081,993
FROM STORAGE	630,260	694,233	1,230,433	8,360,012	3,351,214	2,143,494	689,755	641,278	667,375	649,502	673,965.1	674,052.5	20,405,574
NET LNG STORAGE	(2,320,665)	(6,069,608)	(3,199,742)	8,360,012	3,351,214	2,143,494	(410,837)	(1,262,308)	(2,172,419)	(1,443,578)	673,965	674,053	(1,676,419)
NET NATURAL GAS EXPENSE	16,261,030	29,877,735	57,728,609	95,708,435.0	122,186,597	94,943,119	81,697,581	42,798,484	24,692,837	17,327,676	17,734,910	17,734,619	618,691,831
<u>APPLICABLE GCR EXPENSE</u>													
NET NATURAL GAS EXPENSE	16,261,030	29,877,735	57,728,609	95,708,435	122,186,597	94,943,119	81,697,581	42,798,484	24,692,837	17,327,676	17,734,910	17,734,619	618,691,631
PURCHASED ELECTRIC	89,333	89,333	89,333	89,333	89,333	89,333	89,333	89,333	89,334	89,334	89,334	89,334	1,072,000
TOTAL APPLICABLE EXPENSES	16,350,362	29,967,068	57,817,941	95,797,768	122,275,931	95,032,453	81,786,914	42,887,817	24,782,170	17,417,011	17,824,243	17,823,952	619,763,631
TOTAL FIRM SALES	1,141,778	1,801,679	3,984,456	8,818,876	10,515,203	9,443,929	7,333,886	5,012,986	2,422,658	1,595,508	1,316,211	1,256,374	52,643,543

INTERRUPTIBLE REVENUE CREDIT
FISCAL YEAR 2007

Fiscal Year 2005 Reconciliation \$ 2,927,506 (Schedule 4b)

<u>MONTH</u>		<u>MARGIN</u>
September-05	Actual	\$ 197,641
October	Actual	\$ 298,554
November	Actual	\$ 668,093
December	Actual	\$ 1,092,618
January-06	Actual	\$ 1,377,299
February	Actual	\$ 371,603
March	Actual	\$ 357,405
April	Actual	\$ 568,125
May	Actual	\$ 354,907
June	Actual	\$ 293,293
July	Estimated	\$ 205,796
<u>August</u>	<u>Estimated</u>	<u>\$ 244,284</u>
Fiscal Year 2006 Margin	Act/Est	\$ 6,029,618
FY 2006 Act / Est Margin and FY 2005 Reconciliation		\$ 8,957,124
Fiscal Year 2006 Actual Credit		\$ <u>9,275,163</u> (Schedule 7)
Reconciliation as of August 2006		\$ (318,039)
Fiscal Year 2004 Actual Margin		\$ 6,573,209
Fiscal Year 2005 Actual Margin		\$ 10,334,606
<u>Fiscal Year 2006 Act/Est Margin</u>		<u>\$ 6,029,618</u>
3 Year Average - FY 2007 Estimated Margin		\$ 7,645,811
Reconciliation as of August 2006		\$ <u>(318,039)</u>
Fiscal Year 2007 Interruptible Revenue Credit		\$ 7,327,772
Fiscal Year 2007 Firm Sales		52,643,543
Fiscal Year 2007 IRC Credit		\$ 0.1392

**INTERRUPTIBLE REVENUE CREDIT
FISCAL YEAR 2005 - FINALIZED RECONCILIATION**

Fiscal Year 2004 Reconciliation \$ 1,680,303

<u>MONTH</u>		<u>MARGIN</u>
September-04	Actual	\$ 273,119
October	Actual	\$ 475,968
November	Actual	\$ 1,314,222
December	Actual	\$ 1,456,208
January 05	Actual	\$ 1,555,716
February	Actual	\$ 1,731,658
March	Actual	\$ 1,572,658
April	Actual	\$ 663,937
May	Actual	\$ 470,135
June	Actual	\$ 287,701
July	Actual	\$ 200,696
August	Actual	\$ <u>332,588</u>
Fiscal Year 2005 Margin		\$ 10,334,606

FY 2005 Actual Margin and FY 2004 Reconciliation	\$ 12,014,909
Fiscal Year 2005 Actual Credit	\$ <u>9,087,403</u>
Fiscal Year 2005 Over / (Under) Credit	\$ (2,927,506)

**CALENDAR YEAR 2005
PHILADELPHIA GAS WORKS
INTEREST RATE CALCULATION**

	<u>12/1/2004</u>	<u>Split Month</u>	<u>3/1/2005</u>	<u>Split Month</u>	<u>6/1/2005</u>	<u>Split Month</u>	<u>9/1/2005</u>	<u>Split Month</u>	<u>10/7/2005</u>
SSC in Effect	\$ 9.5639	\$ 9.0465	\$ 8.5292	\$ 9.0557	\$ 9.5822	\$ 9.9405	\$ 10.2989	\$ 11.2086	\$ 13.1190
GAC in Effect	\$ 0.4931	\$ (0.3717)	\$ (0.2503)	\$ (0.3302)	\$ (0.4102)	\$ (0.4039)	\$ (0.3977)	\$ (0.3855)	\$ (0.3598)
IRC in Effect	\$ (0.1713)	\$ (0.1690)	\$ (0.1667)	\$ (0.1694)	\$ (0.1722)	\$ (0.1839)	\$ (0.1956)	\$ (0.1957)	\$ (0.1960)
Total Effective	\$ 9.8857	\$ 8.5059	\$ 8.1122	\$ 8.5560	\$ 8.9998	\$ 9.3527	\$ 9.7056	\$ 10.6274	\$ 12.5632

MONTH	NET COST	FIRM	C FACTOR	C FACTOR	ADJUSTMENT	ADJUSTED	OVER/	INTEREST
	OF FUEL	SALES	RECOVERY	REVENUES	FOR ACTUAL	C FACTOR	(UNDER)	
	(1)	(2)	RATE	BILLED	REVENUE	BILLED	RECOVERY	RATE
	(\$)		(\$)	(\$)	(5)	(\$)	(7)=(6)-(1)	(8)
							(\$)	
JANUARY 05	87,811,049	9,207,202	9.5639	88,056,721	1.0018	88,219,340	408,291	
FEBRUARY	72,019,552	9,967,593	9.5639	95,329,022	0.9971	95,056,894	23,037,342	
MARCH	65,479,201	8,687,786	9.0465	78,594,263	1.0072	79,159,933	13,680,732	
APRIL	35,037,339	5,559,491	8.5292	47,417,745	1.0016	47,492,197	12,454,858	
MAY	15,660,373	2,715,678	8.5292	23,162,429	1.0143	23,493,761	7,833,388	
JUNE	13,345,655	1,928,570	9.0557	17,464,476	0.9663	16,875,920	3,530,265	
JULY	16,703,822	1,325,566	9.5822	12,701,800	0.9994	12,694,034	(4,009,788)	
AUGUST	15,271,548	1,253,067	9.5822	12,007,102	0.9952	11,949,664	(3,321,884)	
SEPTEMBER	19,154,304	1,324,674	9.9405	13,167,957	0.9941	13,089,882	(6,064,422)	
OCTOBER	38,947,392	1,464,380	11.2086	16,413,636	1.0090	16,561,402	(22,385,990)	
NOVEMBER	63,167,889	3,381,901	13.1190	44,367,090	0.9936	44,085,225	(19,082,664)	
DECEMBER	<u>125,598,494</u>	<u>7,388,559</u>	13.1190	<u>96,930,353</u>	0.9997	<u>96,900,188</u>	<u>(28,698,306)</u>	
	568,196,618	54,204,467		545,612,594		545,578,440	(22,618,178)	6%

**FISCAL YEAR 2006
PHILADELPHIA GAS WORKS
INTEREST CALCULATION**

	<u>6/1/2005</u>	<u>Split Month</u>	<u>9/1/2005</u>	<u>Split Month</u>	<u>10/7/2005</u>	<u>Split Month</u>	<u>6/1/2006</u>
SSC in Effect	\$ 9.5822	\$ 9.9405	\$ 10.2989	\$ 11.2086	\$ 13.1190	\$ 13.0761	\$ 11.6786
GAC in Effect	\$ (0.4102)	\$ (0.4039)	\$ (0.3977)	\$ (0.3855)	\$ (0.3598)	\$ (0.3208)	\$ (0.2069)
IRC in Effect	\$ (0.1722)	\$ (0.1839)	\$ (0.1956)	\$ (0.1957)	\$ (0.1960)	\$ (0.2092)	\$ (0.2159)
Total Effective	\$ 8.9998	\$ 9.3527	\$ 9.7056	\$ 10.6274	\$ 12.5632	\$ 12.5462	\$ 11.2558

MONTH	NET COST OF FUEL (1)	FIRM SALES (2)	C FACTOR RECOVERY RATE (3)	C FACTOR REVENUES (4)=(2)*(3)	ADJUSTMENT FOR ACTUAL REVENUE (5)	ADJUSTED	OVER/ (UNDER) RECOVERY (7)=(6)-(1)	INTEREST RATE ⁽¹⁾ (8)	TIME FACTOR (9)	INTEREST EXPENSE (10)=(7)*(8)*(9)	INTEREST ON REFUNDS ⁽²⁾ 11	TOTAL INTEREST 12= (10 + 11)
						C FACTOR REVENUES (6)=(4)*(5)						
	(\$)		(\$)	(\$)		(\$)	(\$)			(\$)	(\$)	(\$)
SEPTEMBER 2005	15,154,304	1,324,674	9.9405	13,167,957	0.9941	13,089,882	(6,064,422)	6%	18/12	(545,798)	4,621	(541,177)
OCTOBER	38,947,392	1,464,380	11.2086	16,413,636	1.0090	16,561,402	(22,385,990)	6%	17/12	(1,902,809)	0	(1,902,809)
NOVEMBER	63,167,889	3,381,901	13.1190	44,367,090	0.9936	44,085,225	(19,082,664)	6%	16/12	(1,526,613)	1	(1,526,612)
DECEMBER	125,598,494	7,388,559	13.1190	96,930,349	0.9997	96,900,188	(28,698,306)	6%	15/12	(2,152,373)	0	(2,152,373)
JANUARY 2006	96,871,550	8,217,693	13.1190	107,807,751	0.9998	107,782,917	10,911,367	6%	14/12	763,796	13,025	776,821
FEBRUARY	92,407,914	7,692,045	13.1190	100,911,786	0.9995	100,861,426	8,453,512	6%	13/12	549,478	0	549,478
MARCH	72,625,165	7,273,912	13.1190	95,426,303	0.9999	95,412,507	22,787,342	6%	12/12	1,367,241	0	1,367,241
APRIL	28,322,085	4,170,387	13.1190	54,711,221	0.9378	51,309,274	22,987,189	6%	11/12	1,264,295	0	1,264,295
MAY	16,014,989	2,019,358	13.1190	26,491,916	1.0146	26,878,116	10,863,127	6%	10/12	543,156	0	543,156
JUNE	17,800,612	1,512,078	13.0761	19,772,154	0.9895	19,563,994	1,763,382	6%	9/12	79,352	726	80,078
JULY	15,286,850	1,339,782	11.6786	15,646,756	1.0000	15,646,699	359,849	6%	8/12	14,394	0	14,394
AUGUST	15,243,753	1,278,873	11.6786	14,935,425	1.0000	14,935,369	(308,384)	6%	7/12	(10,793)	0	(10,793)
	601,440,997	47,063,643		606,582,343		603,026,999	1,586,002			(1,556,674)	18,374	(1,538,301)

(1) See Schedule 5(a)

(2) See Schedule 5(c)

**FISCAL YEAR 2006
PHILADELPHIA GAS WORKS
INTEREST ON NATURAL GAS REFUNDS**

MONTH	NATURAL GAS REFUNDS (9)	INTEREST RATE (10)	TIME FACTOR (11)	INTEREST ON REFUNDS (13)=(9)*(10)*(11) (\$)
Sep-05	51,344	6%	18/12	4,621
Oct-05	0	6%	17/12	0
Nov-05	16	6%	16/12	1
Dec-05	0	6%	15/12	0
Jan-06	186,076	6%	14/12	13,025
Feb-06	0	6%	13/12	0
Mar-06	0	6%	12/12	0
Apr-06	0	6%	11/12	0
May-06	0	6%	10/12	0
Jun-06	16,133	6%	9/12	726
Jul-06	0	6%	8/12	0
Aug-06	0	6%	7/12	0
	<u>253,569</u>			<u>18,374</u>

**FISCAL YEAR 2006
PHILADELPHIA GAS WORKS
DEMAND AND COMMODITY INTEREST CALCULATION**

MONTH	(1)					(2)				
	OVER/ (UNDER)	DEMAND CHARGE OVER/(UNDER)	COMMODITY CHARGE OVER/(UNDER)	INTEREST RATE	TIME FACTOR	DEMAND INTEREST EXPENSE	COMMODITY INTEREST EXPENSE	TOTAL INTEREST EXPENSE	INTEREST ON REFUNDS	TOTAL INTEREST
	RECOVERY	RECOVERY	RECOVERY							
	(1)	(2)	(3)=(1)-(2)	(4)	(5)	(6)=(2)*(4)*(5)	(7)=(3)*(4)*(5)	(8)=(6)+(7)	(9)	(10)=(8)+(9)
	(\$)	(\$)	(\$)			(\$)	(\$)	(\$)	(\$)	(\$)
Sep-05	(6,064,422)	(3,377,769)	(2,686,653)	6%	18/12	(303,999)	(241,799)	(545,798)	4,621	(541,177)
Oct-05	(22,385,990)	(3,275,837)	(19,110,153)	6%	17/12	(278,446)	(1,624,363)	(1,902,809)	0	(1,902,809)
Nov-05	(19,082,664)	(1,736,963)	(17,345,701)	6%	16/12	(138,957)	(1,387,656)	(1,526,613)	1	(1,526,612)
Dec-05	(28,698,306)	3,117,254	(31,815,560)	6%	15/12	233,794	(2,386,167)	(2,152,373)	0	(2,152,373)
Jan-06	10,911,367	4,078,781	6,832,586	6%	14/12	285,515	478,281	763,796	13,025	776,821
Feb-06	8,453,512	3,580,002	4,873,510	6%	13/12	232,700	316,778	549,478	0	549,478
Mar-06	22,787,342	3,255,699	19,531,643	6%	12/12	195,342	1,171,899	1,367,241	0	1,367,241
Apr-06	22,987,189	(390,045)	23,377,234	5%	11/12	(21,452)	1,285,748	1,264,295	0	1,264,295
May-06	10,863,127	(2,205,593)	<u>13,068,720</u>	6%	10/12	(110,280)	653,436	543,156	0	543,156
Jun-06	1,763,382	(2,964,397)	<u>4,727,779</u>	6%	9/12	(133,398)	212,750	79,352	726	80,078
Jul-06	359,849	(3,472,697)	<u>3,832,546</u>	6%	8/12	(138,908)	153,302	14,394	0	14,394
Aug-06	<u>(308,384)</u>	(3,548,158)	<u>3,239,774</u>	5%	7/12	<u>(124,186)</u>	<u>113,392</u>	<u>(10,793)</u>	<u>0</u>	<u>(10,793)</u>
Total	1,586,002	(6,939,723)	8,525,725			(302,275)	(1,254,399)	(1,556,674)	18,374	(1,538,301)

(1) See Schedule 5b

(2) See Schedule 5c

GCR
STATEMENT OF RECONCILIATION
SEPTEMBER 2006 THROUGH AUGUST 2007

		1	2	3 = (1 + 2)	4	5	6 = (4 * 5)	7 = (3 - 6)	8	9	10 = (9 - 7)	11	12
		DEMAND CHARGES	COMMODITY CHARGES	NET COST OF FUEL	FIRM SALES	IRC FACTOR APPLIED	INTERRUPTIBLE REVENUE CREDIT	APPLICABLE EXPENSES	GCR FACTOR APPLIED	GCR REVENUE BILLED	MONTHLY OVER/(UNDER) RECOVERY	E FACTOR DISTRIBUTED ON GCR	CUMULATIVE OVER/(UNDER) RECOVERY
		\$	\$	\$	MCF	\$	\$	\$	\$	\$	\$	\$	\$
AUGUST 2006 OVER-COLLECTION												5,953,291	
FISCAL YEAR 2006 INTEREST												(1,538,301)	
TOTAL "E" FACTOR												4,414,990	
2006-2007													
SEPTEMBER	Estimated	5,207,122	11,143,240	16,350,362	1,141,778	0.1392	158,931	16,191,431	11.4044	13,021,288	(3,170,143)	95,756	1,244,847
OCTOBER	Estimated	5,189,062	24,778,006	29,967,068	1,801,679	0.1392	250,786	29,716,282	11.5530	20,814,797	(8,901,485)	151,099	(7,656,637)
NOVEMBER	Estimated	5,841,054	51,976,887	57,817,941	3,984,455	0.1392	554,620	57,263,321	11.5530	48,032,415	(11,230,906)	334,159	(18,887,543)
DECEMBER	Estimated	5,886,365	89,911,403	95,797,768	6,818,876	0.1392	949,160	94,848,608	11.5530	78,778,472	(16,070,136)	571,870	(34,957,679)
JANUARY	Estimated	5,890,562	116,385,369	122,275,931	10,515,204	0.1392	1,463,675	120,812,256	11.5530	121,482,142	669,886	881,865	(34,287,794)
FEBRUARY	Estimated	5,896,843	89,135,610	95,032,453	9,443,929	0.1392	1,314,557	93,717,896	11.5530	109,105,712	15,387,815	792,022	(18,899,978)
MARCH	Estimated	5,886,364	75,900,550	81,786,914	7,333,886	0.1392	1,020,848	80,766,066	11.5530	84,726,383	3,962,317	615,062	(14,937,662)
APRIL	Estimated	5,260,355	37,627,462	42,887,817	5,012,986	0.1392	697,788	42,190,029	11.5530	57,915,031	15,725,002	420,418	787,340
MAY	Estimated	5,214,309	19,567,861	24,782,170	2,422,658	0.1392	337,224	24,444,946	11.5530	27,988,973	3,544,027	203,178	4,331,367
JUNE	Estimated	5,231,555	12,185,456	17,417,011	1,595,508	0.1392	222,088	17,194,923	11.5530	18,432,899	1,237,976	133,808	5,569,344
JULY	Estimated	5,214,309	12,609,934	17,824,243	1,316,211	0.1392	183,211	17,641,032	11.5530	15,206,191	(2,434,841)	110,385	3,134,503
AUGUST	Estimated	5,213,512	12,810,440	17,823,952	1,256,373	0.1392	174,882	17,649,070	11.5530	14,514,883	(3,134,187)	105,367	316
TOTAL		65,931,413	553,832,218	619,763,631	52,643,543		7,327,772	612,435,859		608,021,185	(4,414,674)	4,414,990	316

GCR

STATEMENT OF RECONCILIATION

SEPTEMBER 2005 THROUGH AUGUST 2006

	1	2	3 = (1 + 2)	4	5	6 = (4 * 5)	7 = (3 - 6)	8	9	10 = (9 - 7)	11	12
	\$	\$	\$	MCF	\$	\$	\$	\$	\$	\$	\$	\$
2004-2005 OVER-COLLECTION												21,368,705
2004-2005 INTEREST												121,542
TOTAL "E" FACTOR												21,490,247
SEPTEMBER 2005 Actual	4,933,065	14,221,239	19,154,304	1,324,674	0.1839	243,608	18,910,696	9.3527	12,315,821	(6,594,875)	51,344	14,946,715
OCTOBER Actual	5,022,174	33,925,218	38,947,392	1,464,380	0.1957	286,579	38,660,813	10.6274	15,702,656	(22,958,157)	0	(8,011,442)
NOVEMBER Actual	5,715,023	57,452,866	63,167,889	3,381,901	0.1960	662,853	62,505,036	12.5632	42,217,575	(20,287,461)	16	(28,298,887)
DECEMBER Actual	5,626,600	119,971,894	125,598,494	7,388,559	0.1960	1,448,158	124,150,336	12.5632	92,795,057	(31,355,279)	0	(59,654,167)
JANUARY 2006 Actual	5,647,084	91,224,466	96,871,550	8,217,693	0.1960	1,610,668	95,260,882	12.5632	103,216,744	7,955,862	186,076	(51,512,229)
FEBRUARY Actual	5,521,297	86,886,617	92,407,914	7,692,045	0.1960	1,507,641	90,900,273	12.5632	96,588,479	5,688,206	0	(45,824,022)
MARCH Actual	5,353,913	67,271,252	72,625,165	7,273,912	0.1960	1,425,687	71,199,478	12.5632	91,370,401	20,170,923	0	(25,653,099)
APRIL Actual	5,019,972	23,302,113	28,322,085	4,170,387	0.1960	817,396	27,504,689	12.5632	49,135,581	21,630,892	0	(4,022,207)
MAY Actual	4,630,958	11,384,031	16,014,989	2,019,358	0.1960	395,794	15,619,195	12.5632	25,739,437	10,120,242	0	6,098,035
JUNE Actual	4,786,569	13,014,043	17,800,612	1,512,078	0.2060	311,412	17,489,200	11.9095	17,818,505	329,305	16,133	6,443,474
JULY Estimated	5,150,098	10,136,752	15,286,850	1,339,782	0.2159	289,259	14,997,591	11.2558	15,080,317	82,726	0	6,526,199
AUGUST Estimated	5,149,301	10,094,452	15,243,753	1,278,873	0.2159	276,109	14,967,644	11.2558	14,394,736	(572,908)	0	5,953,291
Total	62,556,054	538,884,943	601,440,997	47,063,643		9,275,163	592,165,834		576,375,309	(15,790,525)	253,569	5,953,291

RECONCILIATION OF DEMAND CHARGES

	1	2	3	4 = (2 * 3)	5	6	7 = (6 - 1)	8
	\$	\$	\$	\$	\$	\$	\$	\$
SEPTEMBER 2005 Actual	4,933,065	1,324,674	1.1811	1,564,572	0.9941	1,555,296	(3,377,769)	(3,377,769)
OCTOBER Actual	5,022,174	1,464,380	1.1819	1,730,755	1.0090	1,746,337	(3,275,837)	(6,653,606)
NOVEMBER Actual	5,715,023	3,381,901	1.1838	4,003,494	0.9936	3,978,060	(1,736,963)	(8,390,569)
DECEMBER Actual	5,626,600	7,388,559	1.1838	8,746,576	0.9997	8,743,854	3,117,254	(5,273,315)
JANUARY 2006 Actual	5,647,084	8,217,693	1.1836	9,728,106	0.9998	9,725,865	4,078,781	(1,194,534)
FEBRUARY Actual	5,521,297	7,692,045	1.1838	9,105,843	0.9995	9,101,299	3,560,002	2,385,468
MARCH Actual	5,353,913	7,273,912	1.1838	8,610,857	0.9999	8,609,612	3,255,699	5,641,167
APRIL Actual	5,019,972	4,170,387	1.1838	4,936,904	0.9378	4,629,927	(390,045)	5,251,122
MAY Actual	4,630,958	2,019,358	1.1838	2,390,516	1.0146	2,425,365	(2,205,593)	3,045,529
JUNE Actual	4,786,569	1,512,078	1.2179	1,841,560	0.9895	1,822,172	(2,964,397)	81,132
JULY Estimated	5,150,098	1,339,782	1.2520	1,677,407	1.0000	1,677,401	(3,472,697)	(3,391,565)
AUGUST Estimated	5,149,301	1,278,873	1.2520	1,601,149	1.0000	1,601,143	(3,548,158)	(6,939,723)

CALCULATION OF RECOVERED CHARGES

4th QUARTER FILING

SEPTEMBER 2006 - AUGUST 2007

	<u>50% of SEP</u>	<u>11.5 Months</u>	<u>Total</u>
			(MCF) (\$)
Firm Sales (MCF)	570,889	52,072,654	52,643,543
GCR (\$/Mcf)	\$ 11.2558	\$ 11.5530	
Total Projected Recovery	<u>\$ 6,425,813</u>	<u>\$ 601,595,372</u>	<u>\$ 608,021,185</u>

Change In Rates 4th Quarter Filing

Rates Effective September 1, 2006 *

Distribution Charge

	<u>Delivery Charge</u>			<u>Surcharges</u>			<u>Total Distribution Charge / Mcf</u>
	<u>Base Charge</u>	<u>Revenue Realignment Adjustment</u>	<u>Sub-Total Delivery Charge</u>	<u>Restructuring & Consumer Education</u>	<u>Universal Service & Ener. Cons.</u>	<u>Sub-Total Surcharges</u>	
Residential GS/PHAGS	\$4.1223	\$0.0901	\$4.2124	\$0.0662	\$2.7508	\$2.8170	\$7.0294
Commercial GS/MUNGS	\$4.2155	\$0.0901	\$4.3056	\$0.0662	\$2.7508	\$2.8170	\$7.1226
Industrial GS	\$4.2128	\$0.0901	\$4.3029	\$0.0662	\$2.7508	\$2.8170	\$7.1199
Phila.Housing Authority (PHA)	\$4.2051	\$0.0901	\$4.2952	\$0.0662	\$2.7508	\$2.8170	\$7.1122
Municipal (MS)	\$3.0569	\$0.0901	\$3.1470	\$0.0662	\$2.7508	\$2.8170	\$5.9640

Proposed Rates

	<u>6/1/06 Distribution Charge</u> (4)	<u>6/1/06 GCR</u> (2)	<u>6/1/06 Commodity Rate</u> (3)=(1)+(2)	<u>9/1/06 Distribution Charge</u> (4)	<u>9/1/06 GCR</u> (5)	<u>9/1/06 Commodity Rate</u> (6)=(4)+(5)	<u>Decrease</u> (7)=(6)-(3)
Residential GS/PHAGS	\$7.0403	\$11.2558	\$18.2961	\$7.0294	\$11.2558	\$18.2852	(\$0.0109)
Commercial GS/MUNGS	\$7.1335	\$11.2558	\$18.3893	\$7.1226	\$11.2558	\$18.3784	(\$0.0109)
Industrial GS	\$7.1308	\$11.2558	\$18.3866	\$7.1199	\$11.2558	\$18.3757	(\$0.0109)
Phila.Housing Authority (PHA)	\$7.1231	\$11.2558	\$18.3789	\$7.1122	\$11.2558	\$18.3680	(\$0.0109)
Municipal (MS)	\$5.9749	\$11.2558	\$17.2307	\$5.9640	\$11.2558	\$17.2198	(\$0.0109)

* Excludes Customer Charge

STATEMENT OF RECONCILIATION
UNIVERSAL SERVICES & ENERGY CONSERVATION SURCHARGE
SEPTEMBER 2005 TO AUGUST 2006

<u>Month</u>	<u>Applicable Sales</u>	<u>USC Charge</u>	<u>USC Revenue Billed</u>	<u>USC Expenses</u>	<u>Monthly Over/(Under) Recovery</u>	<u>Cumulative Over/(Under) Recovery</u>
FY 05 Reconciliation						\$ (16,274,447)
September 2005	Actual 1,307,578	\$ 1,8398	\$ 2,405,682	\$ (555,503)	\$ 2,961,185	\$ (13,313,262)
October	Actual 1,443,908	\$ 2,0379	\$ 2,942,577	\$ 574,821	\$ 2,367,756	\$ (10,945,505)
November	Actual 3,322,571	\$ 2,3723	\$ 7,882,135	\$ 5,301,572	\$ 2,580,563	\$ (8,364,942)
December	Actual 7,257,302	\$ 2,3723	\$ 17,216,498	\$ 20,496,931	\$ (3,280,433)	\$ (11,645,376)
January 2006	Actual 8,071,248	\$ 2,3723	\$ 19,147,422	\$ 26,162,977	\$ (7,015,555)	\$ (18,660,931)
February	Actual 7,558,977	\$ 2,3723	\$ 17,932,161	\$ 25,068,370	\$ (7,136,209)	\$ (25,797,139)
March	Actual 7,151,914	\$ 2,3723	\$ 16,966,486	\$ 23,428,690	\$ (6,462,204)	\$ (32,259,344)
April	Actual 4,103,007	\$ 2,3723	\$ 9,733,564	\$ 12,639,520	\$ (2,905,956)	\$ (35,165,300)
May	Actual 1,989,912	\$ 2,3723	\$ 4,720,668	\$ 3,627,967	\$ 1,092,701	\$ (34,072,599)
June	Actual 1,492,653	\$ 2,5616	\$ 3,823,505	\$ 1,030,471	\$ 2,793,034	\$ (31,279,565)
July	Estimated 1,323,227	\$ 2,7508	\$ 3,639,932	\$ (238,778)	\$ 3,878,710	\$ (27,400,855)
August	Estimated 1,263,143	\$ 2,7508	\$ 3,474,653	\$ (300,543)	\$ 3,775,196	\$ (23,625,659)
Total	46,285,439		\$ 109,885,282	\$ 117,236,495	\$ (7,351,212)	\$ (23,625,659)

<u>USC Expenses</u>	<u>Sep-05</u>	<u>Oct-05</u>	<u>Nov-05</u>	<u>Dec-05</u>	<u>Jan-06</u>	<u>Feb-06</u>	<u>Mar-06</u>	<u>Apr-06</u>	<u>May-06</u>	<u>Jun-06</u>	<u>Jul-06</u>	<u>Aug-06</u>	<u>Total</u>
Conservation Works	\$ 15,736	\$ 103,262	\$ 129,176	\$ 180,876	\$ 117,949	\$ 147,125	\$ 61,315	\$ 168,617	\$ 125,881	\$ 207,910	\$ 352,000	\$ 390,000	\$ 1,999,847
CRP Discount	\$ (1,725,443)	\$ (794,969)	\$ 3,112,253	\$ 16,916,299	\$ 22,222,990	\$ 21,339,644	\$ 19,901,410	\$ 10,186,986	\$ 1,837,613	\$ (594,467)	\$ (1,836,343)	\$ (1,946,197)	\$ 88,619,776
CRP Forgiveness	\$ 759,655	\$ 778,792	\$ 779,195	\$ 789,119	\$ 793,578	\$ 790,555	\$ 1,000,525	\$ 826,055	\$ 957,955	\$ 931,321	\$ 823,853	\$ 850,000	\$ 10,080,603
Senior Citizen Discount	\$ 394,549	\$ 487,736	\$ 1,280,948	\$ 2,610,637	\$ 3,028,480	\$ 2,791,046	\$ 2,465,440	\$ 1,457,862	\$ 706,518	\$ 485,707	\$ 421,712	\$ 405,654	\$ 16,536,269
	\$ (555,503)	\$ 574,821	\$ 5,301,572	\$ 20,496,931	\$ 26,162,977	\$ 25,068,370	\$ 23,428,690	\$ 12,639,520	\$ 3,627,967	\$ 1,030,471	\$ (238,778)	\$ (300,543)	\$ 117,236,495

RESTRUCTURING & CONSUMER EDUCATION SURCHARGE
FISCAL YEAR 2007

<u>Month</u>		<u>Firm Sales</u>	<u>Restructuring & Consumer Education Surcharge</u>	<u>Revenue Billed</u>
FY 2005 Undercollection				\$ (459,287)
September 2005	Actual	1,324,674	\$0.0663	\$ 87,826
October	Actual	1,464,380	\$0.0771	\$ 112,904
November	Actual	3,381,901	\$0.0771	\$ 260,745
December	Actual	7,388,559	\$0.0771	\$ 569,658
January 2006	Actual	8,217,693	\$0.0771	\$ 633,584
February	Actual	7,692,045	\$0.0771	\$ 593,057
March	Actual	7,273,912	\$0.0771	\$ 560,819
April	Actual	4,170,387	\$0.0771	\$ 321,537
May	Actual	2,019,358	\$0.0771	\$ 155,693
June	Actual	1,512,078	\$0.0771	\$ 116,581
July	Estimated	1,339,782	\$0.0771	\$ 103,297
<u>August</u>	Estimated	<u>1,278,873</u>	\$0.0771	<u>\$ 98,601</u>
Total		47,063,643		\$ 3,155,013
FY 2006 R&CES Revenue Billed & FY 2005 Undercollection		\$ 3,155,013		
FY 2006 R&CES Expenses Through August 2006		\$ 4,013,352	(See Schedule 12)	
FY 2006 Over/(Under) Collection		\$ (858,339)		
FY 2007 Estimated Expenses		\$ 2,626,422	(See Schedule 12)	
FY 2006 Reconciliation		\$ 858,339		
<u>FY 2007 Adjusted Expenses</u>		<u>3,484,760</u>		
FY 2007 Firm Sales		52,643,543		
FY 2007 Restructuring Surcharge / Mcf		\$ 0.0662		

**FINALIZED STATEMENT OF RECONCILIATION
RESTRUCTURING & CONSUMER EDUCATION SURCHARGE
SEPTEMBER 2004 THROUGH AUGUST 2005**

<u>Month</u>		<u>Firm Sales</u>	<u>Restructuring & Consumer Education Surcharge</u>
FY 2004 Overcollection			
September 2004	Actual	1,313,917	\$0.0615
October	Actual	1,798,124	\$0.0555
November	Actual	3,885,082	\$0.0555
December	Actual	6,165,669	\$0.0555
January 2005	Actual	9,207,202	\$0.0555
February	Actual	9,967,593	\$0.0555
March	Actual	8,687,786	\$0.0555
April	Actual	5,559,491	\$0.0555
May	Actual	2,715,678	\$0.0555
June	Actual	1,928,570	\$0.0555
July	Actual	1,325,566	\$0.0555
<u>August</u>	Actual	<u>1,253,067</u>	\$0.0555
Total		53,807,745	
FY 2005 R&CES Revenue Billed & FY 2004 Overcollection		\$ 3,298,371	
FY 2005 R&CES Expenses Through August 2005		<u>\$ 3,757,659</u>	(See Schedule 12)
FY 2005 Over/(Under)		\$ (459,287)	

**Revenue
Billed**

\$ 304,158
\$ 80,806
\$ 99,796
\$ 215,622
\$ 342,195
\$ 511,000
\$ 553,201
\$ 482,172
\$ 308,552
\$ 150,720
\$ 107,036
\$ 73,569
\$ 69,545
\$3,298,371

**PHILADELPHIA GAS WORKS
RESTRUCTURING COSTS**

<u>General Start-Up Operating Costs</u>	<u>Actual @ 8/31/04</u>	<u>General Start-Up Capital Costs</u>	<u>Actual @ 8/31/04</u>
Legal:		# 792082 - \$1.0 M	
Wolf Block	\$ 382,171	Web Site Design / EBB	\$ 1,205,211
Consulting:		# 787101 - \$1.3 M	
RJ Rudden	\$ 113,882	BCCS Phase 1 Gas	
Pinkerton	\$ 153,887	Choice / Enhancements	\$ 1,810,940
Gil Peach	\$ 136,200		
Deloitte Consulting	\$ 28,171	# 787102 - \$2.3 M	
New Energy	\$ 194,853	BCCS Phase 2 Gas	
Accenture	\$ 1,864,156	Choice / Enhancements	\$ 2,332,502
EPOS Corp.	\$ 23,600		
Total	\$ 2,896,921	# 787103 - \$5 M	
		BCCS PUC Compliance/	
		Deregulation	\$ 216,344

Advertising:	\$ 64,052		
PGW Training			
Incremental Labor	\$ 171,118		
Customer Education & Postage	\$ 131,864		
Miscellaneous:	\$ 6,626		
Safety Training/Operator Qualification Costs 1st Yr	\$ 872,000		
Total	\$ 4,142,582	Total	\$ 5,564,997
3 Year Amortization	\$ 1,380,861	5 Year Amortization	\$ 1,112,999

<u>Restructuring Surcharge</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>
Operating Start Up	\$ 1,380,861	\$ 1,380,861	\$ 1,380,861
Capital Start Up	\$ 1,112,999	\$ 1,112,999	\$ 1,112,999
FOI Integrated Solution Start Up Operating Costs	\$ 26,526	\$ 56,159	\$ 182,471
FOI Integrated Solution Start Up Capital Costs	\$ 9,805	\$ 11,205	\$ 11,205
FOI Integrated Solution General Capital Costs	\$ 25,424	\$ 176,936	\$ 303,002
Ongoing Costs/Safety Trng	\$ 880,779	\$ 1,019,499	\$ 1,022,814
Total FY 2004 Surcharge	\$ 3,436,393	\$ 3,757,659	\$ 4,013,352

<u>Restructuring Surcharge Costs</u>	
FY 2004	\$ 3,436,393
FY 2005	\$ 3,757,659
FY 2006	\$ 4,013,352
FY 2007	\$ 2,626,422
FY 2008	\$ 2,617,653
FY 2009	\$ 1,389,821
FY 2010	\$ 1,410,129
FY 2011	\$ 1,432,271

<u>FOI Integrated Solution Start Up Operating Costs</u>	<u>8/31/2004</u>	<u>8/31/2005</u>	<u>8/31/2006</u>	<u>8/31/2007</u>	<u>8/31/2008</u>	<u>8/31/2009</u>	<u>8/31/2010</u>	<u>8/31/2011</u>
Costs To Replace Class C Meters With Rotary Meters (Note 1)	\$ 79,577	\$ 67,581	\$ 378,935	\$ -	\$ -	\$ -	\$ -	\$ -
Renovation of Meter Shop	\$ -	\$ 21,320	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Release 1 External Costs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total	\$ 79,577	\$ 88,901	\$ 378,935	\$ -	\$ -	\$ -	\$ -	\$ -
3 Year Amortization	\$ 26,526	\$ 29,634	\$ 126,312	\$ -	\$ -	\$ -	\$ -	\$ -

<u>FOI Integrated Solution Start Up Capital Costs</u>	<u>8/31/2004</u>	<u>8/31/2005</u>	<u>8/31/2006</u>	<u>8/31/2007</u>	<u>8/31/2008</u>	<u>8/31/2009</u>	<u>8/31/2010</u>	<u>8/31/2011</u>
Release 1 External Costs	\$ 43,023	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Release 1 Infrastructure Costs Desktop Computers	\$ 6,000	\$ -	\$ 7,000	\$ -	\$ -	\$ -	\$ -	\$ -
Total	\$ 49,023	\$ 7,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5 Year Amortization	\$ 9,805	\$ 1,400	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

<u>FOI Integrated Solution General Capital Costs</u>	<u>8/31/2004</u>	<u>8/31/2005</u>	<u>8/31/2006</u>	<u>8/31/2007</u>	<u>8/31/2008</u>	<u>8/31/2009</u>	<u>8/31/2010</u>	<u>8/31/2011</u>
Purch. Repl. Rotary Meters (Note 1)	\$ 254,235	\$ 776,680	\$ 684,109	\$ -	\$ -	\$ -	\$ -	\$ -
Renovation of Meter Shop	\$ -	\$ 738,441	\$ 576,559	\$ -	\$ -	\$ -	\$ -	\$ -
Total	\$ 254,235	\$ 1,515,121	\$ 1,260,668	\$ -	\$ -	\$ -	\$ -	\$ -
10 Year Amortization	\$ 25,424	\$ 151,512	\$ 126,067	\$ -	\$ -	\$ -	\$ -	\$ -
<u>Ongoing Costs</u>	<u>8/31/2004</u>	<u>8/31/2005</u>	<u>8/31/2006</u>	<u>8/31/2007</u>	<u>8/31/2008</u>	<u>8/31/2009</u>	<u>8/31/2010</u>	<u>8/31/2011</u>
Office Based Infrastructure Costs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Payroll Office Based Workers	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Shop Based Infrastructure Costs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Leak Survey	\$ 555,032	\$ 427,559	\$ 419,035	\$ 427,416	\$ 435,964	\$ 444,683	\$ 453,577	\$ 462,648
Safety Trng / Operator Qualification	\$ 325,747	\$ 591,940	\$ 603,779	\$ 615,854	\$ 628,171	\$ 640,735	\$ 653,550	\$ 666,621
Total Same Year Recovery	\$ 880,779	\$ 1,019,499	\$ 1,022,814	\$ 1,043,270	\$ 1,064,135	\$ 1,085,418	\$ 1,107,127	\$ 1,129,269

Note 1: The Class C Meter Replacement Program has been delayed from the expected completion date of 8/31/05 until the revised completion date of 8/31/06.

Natural Gas Prices Used In PGW's 4th Quarter GCR Filing

September 1, 2006

	GLOBAL INSIGHT(GI) PRICES										Basis Differentials										NYMEX Futures 8/1/06 Close	Prices Used For Gas Cost Inputs													
	Transco			TETCO				Average ELA/ETX	M-1	August 2006 Henry Hub	Transco			TETCO				Average ELA/ETX	M-1	Transco			TETCO												
	Sta. 30	Sta. 45	Sta. 65	ELA	WLA	ETX	STX				Sta. 30	Sta. 45	Sta. 65	ELA	WLA	ETX	STX			Sta. 30		Sta. 45	Sta. 65	ELA	WLA	ETX	STX	ELA/ETX	M-1						
2006:8																										ACTUAL	6.87	6.93	6.96	7.00	6.98	6.88	6.85	6.94	7.02
2006:9	6.05	6.11	6.16	6.07	6.07	6.07	5.97	6.07	6.15	6.14	(0.09)	(0.03)	0.02	(0.07)	(0.07)	(0.07)	(0.17)	(0.07)	0.01	7.574	NYMEX	7.48	7.54	7.59	7.90	7.50	7.50	7.40	7.50	7.58					
2006:10	6.64	6.74	6.79	6.71	6.70	6.68	6.60	6.70	6.78	6.77	(0.09)	(0.03)	0.02	(0.06)	(0.07)	(0.09)	(0.17)	(0.07)	0.01	7.779	NYMEX	7.69	7.75	7.80	7.72	7.71	7.69	7.61	7.70	7.79					
2006:11	9.46	9.53	9.58	9.52	9.50	9.41	9.37	9.47	9.60	9.57	(0.11)	(0.04)	0.01	(0.05)	(0.07)	(0.16)	(0.20)	(0.11)	0.03	9.339	NYMEX	9.23	9.30	9.35	9.29	9.27	9.18	9.14	9.23	9.37					
2006:12	10.00	10.11	10.15	10.10	10.06	9.95	9.89	10.03	10.20	10.14	(0.14)	(0.03)	0.01	(0.04)	(0.06)	(0.19)	(0.25)	(0.12)	0.06	10.789	GI-NYMEX	10.32	10.43	10.47	10.42	10.38	10.27	10.21	10.35	10.52					
2007:1	10.78	10.92	10.94	10.89	10.85	10.66	10.67	10.78	10.99	10.92	(0.14)	-	0.02	(0.03)	(0.07)	(0.26)	(0.25)	(0.15)	0.07	11.404	GI-NYMEX	11.02	11.16	11.18	11.13	11.09	10.90	10.91	11.02	11.23					
2007:2	10.28	10.42	10.43	10.38	10.34	10.17	10.18	10.28	10.49	10.42	(0.14)	-	0.01	(0.04)	(0.08)	(0.25)	(0.24)	(0.15)	0.06	11.414	GI-NYMEX	10.78	10.92	10.93	10.88	10.84	10.67	10.68	10.77	10.98					
2007:3	10.50	10.62	10.64	10.58	10.55	10.39	10.42	10.49	10.66	10.62	(0.12)	-	0.02	(0.04)	(0.07)	(0.23)	(0.20)	(0.14)	0.04	11.174	GI-NYMEX	10.78	10.90	10.92	10.86	10.83	10.67	10.70	10.76	10.94					
2007:4	9.49	9.57	9.61	9.54	9.53	9.47	9.43	9.51	9.61	9.60	(0.11)	(0.03)	0.01	(0.06)	(0.07)	(0.13)	(0.17)	(0.10)	0.01	8.734	GI-NYMEX	9.06	9.14	9.18	9.11	9.10	9.04	9.00	9.07	9.18					
2007:5	9.03	9.09	9.14	9.06	9.05	9.01	8.97	9.04	9.13	9.12	(0.09)	(0.03)	0.02	(0.06)	(0.07)	(0.11)	(0.15)	(0.08)	0.01	8.559	GI-NYMEX	8.75	8.81	8.86	8.78	8.77	8.73	8.69	8.75	8.85					
2007:6	9.13	9.20	9.25	9.17	9.16	9.11	9.06	9.14	9.25	9.23	(0.10)	(0.03)	0.02	(0.06)	(0.07)	(0.12)	(0.17)	(0.09)	0.02	8.638	GI-NYMEX	8.83	8.90	8.95	8.87	8.86	8.81	8.76	8.84	8.95					
2007:7	9.12	9.20	9.24	9.17	9.16	9.10	9.04	9.14	9.25	9.23	(0.11)	(0.03)	0.01	(0.06)	(0.07)	(0.13)	(0.19)	(0.10)	0.02	8.737	GI-NYMEX	8.87	8.95	8.99	8.92	8.91	8.85	8.79	8.89	9.00					
2007:8	9.07	9.13	9.19	9.11	9.10	9.04	8.99	9.08	9.19	9.17	(0.10)	(0.04)	0.02	(0.06)	(0.07)	(0.13)	(0.18)	(0.10)	0.02	8.816	GI-NYMEX	8.69	8.95	9.01	8.93	8.92	8.86	8.81	8.90	9.01					

Actual Natural Gas Billed

	<u>Apr-06</u>	<u>May-06</u>	<u>Jun-06</u>
Williams	\$ 2,156,143	\$ 2,191,563	\$ 2,030,677
Texas Eastern	\$ 2,368,913	\$ 2,042,004	\$ 2,059,173
Dominion	\$ 120,919	\$ 132,193	\$ 130,729
Equitrans	\$ 43,280	\$ 43,730	\$ 34,983
Spot Purchases -Transco	\$ 52,350	\$ 13,977	\$ 18
Spot Purchases -Tetco	\$ -	\$ -	\$ -
Transco Supply1	\$ -	\$ -	\$ -
Transco Supply2	\$ 2,116,500	\$ -	\$ -
Transco Supply3	\$ 4,316,505	\$ 4,580,648	\$ 4,368,000
Transco Supply4	\$ -	\$ -	\$ -
Transco Supply5	\$ -	\$ -	\$ -
Transco Supply6	\$ 75,560	\$ 661,670	\$ -
Transco Supply7	\$ 3,550,669	\$ 7,548,819	\$ 7,114,609
Transco Supply8	\$ 2,115,000	\$ 4,248,044	\$ 2,217,000
Transco Supply9	\$ -	\$ -	\$ -
Transco Supply10	\$ 2,661,317	\$ 893,071	\$ 1,503,086
Transco Supply11	\$ -	\$ -	\$ -
Transco Supply12	\$ -	\$ -	\$ -
Transco Supply13	\$ -	\$ -	\$ -
Transco Supply14	\$ 3,138,240	\$ 2,613,145	\$ 2,446,505
Transco Supply15	\$ 75,351	\$ 1,849,554	\$ -
Transco Supply16	\$ -	\$ -	\$ -
Transco Supply17	\$ 2,077,198	\$ 2,165,502	\$ 2,091,000
Transco Supply18	\$ -	\$ -	\$ -
Tetco Supply1	\$ 1,433,188	\$ 74,634	\$ 74,634
Tetco Supply2	\$ -	\$ -	\$ -
Tetco Supply3	\$ -	\$ -	\$ -
Tetco Supply4	\$ -	\$ -	\$ -
Tetco Supply5	\$ -	\$ -	\$ -
Tetco Supply6	\$ -	\$ -	\$ -
Tetco Supply7	\$ -	\$ 32,050	\$ 1,972,537
Tetco Supply8	\$ -	\$ -	\$ -
Tetco Supply9	\$ -	\$ -	\$ -
Tetco Supply10	\$ -	\$ -	\$ -
Tetco Supply11	\$ -	\$ -	\$ -
Tetco Supply12	\$ -	\$ -	\$ -
Tetco Supply13	\$ 2,166,070	\$ 2,364,133	\$ -
Tetco Supply14	\$ 2,050,500	\$ 2,394,750	\$ 2,032,500
Tetco Supply15	\$ -	\$ -	\$ -
<u>Tetco Supply16</u>	\$ -	\$ 291,999	\$ -
Total Costs	\$ 30,517,702	\$ 34,141,487	\$ 28,075,452
Off System Sales	\$ -	\$ -	\$ -
Gas Transportation Purchases	\$ 19,714	\$ 72,347	\$ 17,699
Adjustment/Reconciliation	\$ (603,056)	\$ (2,692,953)	\$ 2,842,203
Total Natural Gas Billed	\$ 29,934,360	\$ 31,520,881	\$ 30,935,354

**Philadelphia Gas Works
Summary of Fuels Purchased
Three Months Ending June 2006**

	<u>Actual</u>			<u>Total</u>	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>	<u>Total</u>	<u>Actual Over/Under vs Projected</u>			
	<u>Apr-06</u>	<u>May-06</u>	<u>Jun-06</u>		<u>3rd Qtr Filling</u>	<u>3rd Qtr Filling</u>	<u>3rd Qtr Filling</u>		<u>Apr-06</u>	<u>May-06</u>	<u>Jun-06</u>	<u>Total</u>
Total Natural Gas Billed	\$ 29,934,360	\$ 31,520,881	\$ 30,935,354	\$ 92,390,595	\$ 45,534,430	\$ 46,763,818	\$ 37,571,133	\$ 129,869,382	\$ (15,600,070)	\$ (15,242,937)	\$ (6,635,779)	\$ (37,478,787)
Less Interruptible Credit	\$ 1,860,823	\$ 1,235,191	\$ 762,152	\$ 3,858,266	\$ 2,013,203	\$ 1,086,010	\$ 692,857	\$ 3,792,070	\$ (152,280)	\$ 149,181	\$ 69,295	\$ 66,186
Gas Used For Utility	\$ 50,027	\$ 39,320	\$ 34,068	\$ 123,415	\$ 99,948	\$ 59,331	\$ 40,704	\$ 199,983	\$ (49,921)	\$ (20,011)	\$ (6,636)	\$ (76,568)
	28,023,410	30,246,370	30,139,134	\$ 88,408,914	43,421,280	45,618,477	36,837,572	\$ 125,877,329	(15,397,870)	(15,372,107)	(6,668,438)	\$ (37,468,415)
Pipeline Storage												
(To)	\$ (4,298,143)	\$ (13,003,297)	\$ (12,288,092)	\$ (29,589,532)	\$ (11,894,217)	\$ (22,091,379)	\$ (20,405,938)	\$ (54,391,534)	\$ 7,596,074	\$ 9,088,082	\$ 8,117,846	\$ 24,802,002
From	\$ 4,958,310	\$ 134,227	\$ 1,998	\$ 5,094,535	\$ 5,265,408	\$ -	\$ -	\$ 5,265,408	\$ (307,098)	\$ 134,227	\$ 1,998	\$ (170,873)
Net Pipeline Storage	\$ 660,167	\$ (12,869,070)	\$ (12,286,094)	\$ (24,494,997)	\$ (6,628,809)	\$ (22,091,379)	\$ (20,405,938)	\$ (49,126,126)	\$ 7,288,976	\$ 9,222,309	\$ 8,118,844	\$ 24,631,129
LNG Storage												
(To)	\$ (1,137,593)	\$ (2,042,496)	\$ (689,947)	\$ (3,870,036)	\$ (975,277)	\$ (2,818,244)	\$ (2,162,494)	\$ (6,856,015)	\$ (162,316)	\$ 775,748	\$ 1,472,547	\$ 2,085,979
From	\$ 685,571	\$ 602,492	\$ 551,830	\$ 1,839,893	\$ 637,871	\$ 655,825	\$ 626,243	\$ 1,919,939	\$ 47,700	\$ (53,333)	\$ (74,413)	\$ (80,046)
Net LNG Storage	\$ (452,022)	\$ (1,440,004)	\$ (138,117)	\$ (2,030,143)	\$ (337,406)	\$ (2,162,419)	\$ (1,536,251)	\$ (4,036,076)	\$ (114,616)	\$ 722,415	\$ 1,398,134	\$ 2,005,933
Net Natural Gas	\$ 28,231,555	\$ 15,937,296	\$ 17,714,923	\$ 61,883,774	\$ 36,455,065	\$ 21,364,679	\$ 14,895,383	\$ 72,715,128	\$ (8,223,510)	\$ (5,427,383)	\$ 2,819,540	\$ (10,831,354)
APPLICABLE GCR EXPENSES												
Net Natural Gas Expense	\$ 28,231,555	\$ 15,937,296	\$ 17,714,923	\$ 61,883,774	\$ 36,455,065	\$ 21,364,679	\$ 14,895,383	\$ 72,715,128	\$ (8,223,510)	\$ (5,427,383)	\$ 2,819,540	\$ (10,831,354)
Electric	\$ 90,530	\$ 77,693	\$ 85,689	\$ 253,912	\$ 75,960	\$ 79,125	\$ 21,100	\$ 176,186	\$ 14,570	\$ (1,432)	\$ 64,569	\$ 77,726
Non Fuel Expense:												
Total GCR Expenses	\$ 28,322,085	\$ 16,014,989	\$ 17,800,612	\$ 62,137,686	\$ 36,531,026	\$ 21,443,805	\$ 14,916,483	\$ 72,891,313	\$ (8,208,941)	\$ (5,428,816)	\$ 2,884,129	\$ (10,753,627)

Philadelphia Gas Works

Gregory J. Stunder
Senior Attorney



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November 30, 2006

VIA EXPRESS MAIL

James J. McNulty
Secretary
PA Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor
Harrisburg, PA 17120

Re: Pa. PUC v. Philadelphia Gas Works; R-00061296,
December 1, 2006 First Quarterly GCR Filing

Dear Secretary McNulty:

Enclosed for filing are an original and three (3) copies of PGW's December 1, 2006 Quarterly Gas Cost Rate ("GCR") filing. If you have any questions, please contact me.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Gregory J. Stunder", is written over the typed name below.

Gregory J. Stunder

Enclosures

cc: All Parties of Record
Karen Moury, Esq.
Robert Rosenthal
Kerry Klinefelter

CERTIFICATE OF SERVICE

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

VIA E-MAIL AND FIRST CLASS MAIL

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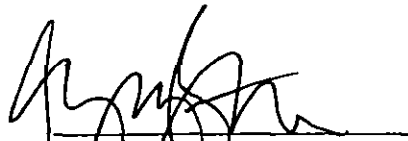
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Gregory J. Stunder, Esq.

Date: November 30, 2006

Statement

Known per dekatherm natural gas prices are used through the month of November 2006. Where known and quantifiable, actual per dekatherm prices for locked-in quantities of gas are used for all other months. Any remaining volumes not locked-in for price for the months of December 2006 through February 2007 are based on the NYMEX Futures Closing Prices of 11-1-06. For the period of March 2007 through November 2007, the average price of the NYMEX Futures Closing Prices of 11-1-06 and the November 2006 Global Insight Forecast were used. The latest applicable pipeline tariff transportation and fuel charges from specific basin points have been incorporated into these pricing determinants. Forecasted temperatures for the period are assumed to be normal (i.e. the estimate incorporates the normal 4,525 degree-day pattern).

This filing has Net Applicable GCR Expense of \$567,460,607 with Firm Sales of 51,897,269 Mcf. The GCR in effect in this filing is **\$10.9119** per Mcf.

DECEMBER 1, 2006

1ST QUARTER FILING

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Philadelphia Gas Works
Levelized Gas Cost Rate
1st Quarter Filing December 1, 2006

Formula:
GCR = SSC + GAC - IRC

where:

	<u>Demand</u>	<u>Commodity</u>	<u>Total</u>	
S = Firm Sales (Mcf)			51,897,269	(Schedule 2)
<hr/>				
Net Natural Gas Expense	\$ 62,332,806	\$ 499,314,615	\$ 561,647,421	
Purchased Electric Expense	\$ 0	\$ 1,071,943	\$ 1,071,943	
C = Total Applicable GCR Expense	\$ 62,332,806	\$ 500,386,558	\$ 562,719,364	(Schedule 3)
<hr/>				
SSC = C / S	\$ 1.2011	\$ 9.6418	\$ 10.8429	
<hr/>				
Adjustment For:				
Prior Reconciliation	\$ 5,985,213	\$ 6,186,848	\$ 12,172,061	
E = Adjustments to GCR Expenses	\$ 5,985,213	\$ 6,186,848	\$ 12,172,061	(Schedule 6)
<hr/>				
GAC = E / S	\$ 0.1153	\$ 0.1192	\$ 0.2345	
<hr/>				
Interruptible Revenue Credit			\$ 7,430,818	(Schedule 4a)
<hr/>				
IRC = Interruptible Revenue Credit / S			\$ 0.1432	
<hr/>				
Net Applicable GCR Expenses = C + E - Interruptible Revenue Credit			\$ 567,460,607	
<hr/>				
<u>GCR = SSC + GAC - IRC</u>			\$ 10.9343	
<hr/>				
SSC in effect 12/01/06	\$ 1.1986	\$ 9.6221	\$ 10.8207	
GAC in effect 12/01/06	\$ 0.1151	\$ 0.1190	\$ 0.2341	
IRC in effect 12/01/06			\$ (0.1429)	
GCR in effect 12/01/06			\$ 10.9119	(Schedule 9)
<hr/>				
Recovery Test on:				
Firm Sales (Mcf)			51,897,269	
= Total Projected Recovery			\$ 567,458,674	(Schedule 9)
Compared To				
Net Applicable GCR Expenses			\$ 567,460,607	
= Net Over/(Under) Recovery			\$ (1,932)	(Schedule 6)
<hr/>				
Degree Days			4,525	

VOLUMES

December 2006 Through November 2007

<u>MONTH</u>	<u>TOTAL VOLUMES</u>	<u>FIRM TRANSPORT VOLUMES</u>	<u>TOTAL BILLED SALES</u>	<u>INTERRUPTIBLE SALES</u>	<u>TOTAL FIRM SALES</u>	<u>SENIOR CITIZEN DISCOUNT SALES</u>	<u>TOTAL APPLICABLE VOLUMES</u>
DECEMBER 2006	7,068,208	30,653	7,037,555	286,350	6,751,206	106,866	6,674,993
JANUARY 2007	10,786,477	71,668	10,714,809	320,934	10,393,875	172,367	10,293,176
FEBRUARY	9,670,060	73,878	9,596,182	266,272	9,329,910	154,225	9,249,563
MARCH	7,529,382	66,395	7,462,987	229,201	7,233,787	116,889	7,183,292
APRIL	5,143,913	55,773	5,088,140	142,415	4,945,725	79,387	4,922,111
MAY	2,494,993	34,004	2,460,989	80,392	2,380,597	34,757	2,379,844
JUNE	1,629,265	22,250	1,607,015	54,776	1,552,239	18,715	1,555,774
JULY	1,363,993	21,483	1,342,510	60,747	1,281,763	14,932	1,288,314
AUGUST	1,306,872	22,112	1,284,760	62,344	1,222,416	14,174	1,230,354
SEPTEMBER	1,206,811	23,125	1,183,686	64,299	1,119,387	12,821	1,129,691
OCTOBER	1,910,851	32,950	1,877,901	114,147	1,763,754	21,354	1,775,350
NOVEMBER	4,166,751	61,921	4,104,830	182,220	3,922,610	55,469	3,929,062
TOTAL	54,277,577	516,212	53,761,365	1,864,096	51,897,269	801,956	51,611,525

**PROJECTED APPLICABLE FUEL EXPENSE
SUMMARY
DECEMBER 2006 - NOVEMBER 2007**

	DECEMBER	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	TOTAL
NATURAL GAS BILLED													
DEMAND CHARGE	5,288,831	5,281,483	5,301,497	5,261,408	5,103,015	5,060,465	5,069,121	5,044,409	5,039,957	5,074,262	5,048,427	5,779,931	62,332,806
COMMODITY CHARGE	51,813,822	53,008,228	51,875,058	49,435,188	47,337,345	46,885,489	39,341,503	35,946,216	35,846,662	37,633,679	44,818,684	30,882,261	534,804,023
TOTAL NATURAL GAS BILLED	57,102,653	58,289,711	57,176,555	54,696,597	52,440,360	51,936,954	44,410,624	40,990,624	40,886,619	42,707,941	49,867,111	36,642,182	596,936,829
INTERRUPTIBLE CREDIT	(2,726,369)	(3,106,888)	(2,888,884)	(2,283,948)	(1,303,908)	(699,778)	(467,987)	(523,949)	(533,674)	(550,294)	(1,014,769)	(1,767,122)	(17,563,231)
SENDOUT VOLUME IN MCF	287,582	333,537	276,723	238,181	147,970	83,499	56,873	63,078	64,738	66,773	118,687	189,351	1,936,892
DKT CONVERSION FACTOR	1.0380	1.0380	1.0380	1.0380	1.0380	1.0380	1.0380	1.0380	1.0380	1.0380	1.0380	1.0380	1.0380
PRICE \$/DKT	8.826	9.970	9.037	9.238	8.489	8.074	7.927	8.002	7.942	7.940	8.244	8.940	
GAS USED FOR UTILITY	(864,581)	(928,724)	(764,278)	(704,606)	(407,288)	(310,491)	(270,161)	(304,840)	(212,661)	(161,761)	(239,914)	(627,765)	(5,795,040)
NATURAL GAS TO STORAGE FROM STORAGE PGW	27,396,763	37,269,763	31,244,691	23,378,208	13,703,480	26,215,735	26,247,278	24,800,055	24,912,132	23,405,020	13,228,714	5,658,626	168,070,921
NET NATURAL GAS STORAGE	27,396,763	37,269,763	31,244,691	23,378,208	(11,124,560)	(26,213,168)	(26,247,278)	(24,800,055)	(24,912,132)	(23,405,020)	(13,228,714)	22,679,355	(7,962,149)
LNG TO STORAGE FROM LNG PGW	4,713,618	1,944,823	1,654,645	2,568,817	1,724,599	3,012,554	2,351,845	-	-	2,304,099	5,494,055	661,768	18,115,747
NET LNG STORAGE	4,713,618	1,944,823	1,654,645	(1,812,840)	(1,078,810)	(2,384,357)	(1,742,610)	630,665	630,650	(1,707,242)	(4,669,866)	(57,563)	(3,968,987)
NET NATURAL GAS EXPENSE	55,621,984	103,471,785	86,616,747	73,263,608	38,525,815	22,328,170	16,682,588	15,992,445	15,858,801	18,883,534	30,523,857	56,879,086	561,647,421
APPLICABLE GCR EXPENSE													
NET NATURAL GAS EXPENSE	55,621,984	103,471,785	86,616,747	73,263,608	38,525,815	22,328,170	16,682,588	15,992,445	15,858,801	18,883,534	30,523,857	56,879,086	561,647,421
PURCHASED ELECTRIC	91,989	150,502	105,949	93,462	78,239	81,499	21,733	95,625	105,949	82,200	86,000	78,825	1,071,943
TOTAL APPLICABLE EXPENSES	55,713,953	103,622,287	86,721,697	73,357,060	38,604,054	22,409,669	16,704,321	16,088,070	15,964,750	18,965,734	30,609,857	56,957,911	562,719,364
TOTAL FIRM SALES	6,751,206	10,393,875	8,328,910	7,233,786	4,845,725	2,380,597	1,552,239	1,281,783	1,222,416	1,119,387	1,783,754	3,922,610	51,897,269

INTERRUPTIBLE REVENUE CREDIT
FISCAL YEAR 2007

Fiscal Year 2005 Reconciliation \$ 2,927,506 (Schedule 4b)

<u>MONTH*</u>		<u>MARGIN</u>
September-05	Actual	\$ 197,677
October	Actual	\$ 298,804
November	Actual	\$ 668,343
December	Actual	\$ 1,092,867
January-06	Actual	\$ 1,416,964
February	Actual	\$ 371,854
March	Actual	\$ 399,135
April	Actual	\$ 567,950
May	Actual	\$ 355,657
June	Actual	\$ 293,292
July	Actual	\$ 143,796
<u>August</u>	Actual	\$ <u>176,539</u>
Fiscal Year 2006 Margin	Actual	\$ 5,982,878

* September 05 Through June 06 Revised

FY 2006 Actual Margin and FY 2005 Reconciliation	\$ 8,910,384
Fiscal Year 2006 Actual Credit	\$ <u>9,109,796</u> (Schedule 8)
Reconciliation as of August 2006	\$ (199,413)

Fiscal Year 2004 Actual Margin	\$ 6,573,209
Fiscal Year 2005 Actual Margin	\$ 10,334,606
<u>Fiscal Year 2006 Actual Margin</u>	\$ <u>5,982,878</u>
3 Year Average - FY 2007 Estimated Margin	\$ 7,630,231
Reconciliation as of August 2006	\$ <u>(199,413)</u>
Fiscal Year 2007 Interruptible Revenue Credit	\$ 7,430,818

INTERRUPTIBLE REVENUE CREDIT
FISCAL YEAR 2005 - FINALIZED RECONCILIATION

Fiscal Year 2004 Reconciliation \$ 1,680,303

<u>MONTH</u>		<u>MARGIN</u>
September-04	Actual	\$ 273,119
October	Actual	\$ 475,968
November	Actual	\$ 1,314,222
December	Actual	\$ 1,456,208
January 05	Actual	\$ 1,555,716
February	Actual	\$ 1,731,658
March	Actual	\$ 1,572,658
April	Actual	\$ 663,937
May	Actual	\$ 470,135
June	Actual	\$ 287,701
July	Actual	\$ 200,696
August	Actual	\$ <u>332,588</u>
Fiscal Year 2005 Margin		\$ 10,334,606

FY 2005 Actual Margin and FY 2004 Reconciliation	\$ 12,014,909
Fiscal Year 2005 Actual Credit	\$ <u>9,087,403</u>
Fiscal Year 2005 Over / (Under) Credit	\$ (2,927,506)

**CALENDAR YEAR 2005
PHILADELPHIA GAS WORKS
INTEREST RATE CALCULATION**

	<u>12/01/2004</u>	<u>Split Month</u>	<u>03/01/2005</u>	<u>Split Month</u>	<u>06/01/2005</u>	<u>Split Month</u>	<u>09/01/2005</u>	<u>Split Month</u>	<u>10/07/2005</u>
SSC in Effect	\$ 9.5639	\$ 9.0465	\$ 8.5292	\$ 9.0557	\$ 9.5822	\$ 9.9405	\$ 10.2989	\$ 11.2086	\$ 13.1190
GAC in Effect	\$ 0.4931	\$ (0.3717)	\$ (0.2503)	\$ (0.3302)	\$ (0.4102)	\$ (0.4039)	\$ (0.3977)	\$ (0.3855)	\$ (0.3598)
IRC in Effect	\$ (0.1713)	\$ (0.1690)	\$ (0.1667)	\$ (0.1694)	\$ (0.1722)	\$ (0.1839)	\$ (0.1956)	\$ (0.1957)	\$ (0.1960)
Total Effective	\$ 9.8857	\$ 8.5059	\$ 8.1122	\$ 8.5560	\$ 8.9998	\$ 9.3527	\$ 9.7056	\$ 10.6274	\$ 12.5632

<u>MONTH*</u>	NET COST OF FUEL (1) (\$)	FIRM SALES (2)	C FACTOR RECOVERY RATE (3) (\$)	C FACTOR REVENUES BILLED (4)=(2)*(3) (\$)	ADJUSTMENT FOR ACTUAL REVENUE (5)	ADJUSTED	OVER/ (UNDER) RECOVERY (7)=(6)-(1) (\$)	INTEREST RATE (8)
						C FACTOR REVENUES BILLED (6)=(4)*(5) (\$)		
JANUARY 05	87,811,049	9,207,202	9.5639	88,056,721	1.0018	88,219,340	408,291	
FEBRUARY	72,019,552	9,967,593	9.5639	95,329,022	0.9971	95,056,894	23,037,342	
MARCH	65,479,201	8,687,786	9.0465	78,594,263	1.0072	79,159,933	13,680,732	
APRIL	35,037,339	5,559,491	8.5292	47,417,745	1.0016	47,492,197	12,454,858	
MAY	15,560,373	2,715,678	8.5292	23,162,429	1.0143	23,493,761	7,833,388	
JUNE	13,345,655	1,928,570	9.0557	17,464,476	0.9663	16,875,920	3,530,265	
JULY	16,703,822	1,325,566	9.5822	12,701,800	0.9994	12,694,034	(4,009,788)	
AUGUST	15,271,548	1,253,067	9.5822	12,007,102	0.9952	11,949,664	(3,321,884)	
SEPTEMBER	18,742,248	1,287,763	9.9405	12,801,044	0.9942	12,726,350	(6,015,898)	
OCTOBER	38,540,938	1,434,846	11.2086	16,082,606	1.0097	16,239,119	(22,301,819)	
NOVEMBER	62,654,700	3,344,254	13.1190	43,873,198	0.9933	43,577,389	(19,077,311)	
DECEMBER	124,472,119	7,295,620	13.1190	<u>95,711,090</u>	0.9995	<u>95,664,720</u>	<u>(28,807,399)</u>	
	<u>565,738,544</u>	<u>54,007,437</u>		<u>543,201,496</u>		<u>543,149,321</u>	<u>(22,589,223)</u>	<u>6%</u>

* September Through December 05 Revised

**FISCAL YEAR 2006
PHILADELPHIA GAS WORKS
INTEREST CALCULATION**

	<u>06/01/2005</u>	<u>Split Month</u>	<u>09/01/2005</u>	<u>Split Month</u>	<u>10/07/2005</u>	<u>Split Month</u>	<u>06/01/2006</u>						
SSC In Effect	\$ 9.5822	\$	9.9405	\$	10.2989	\$	11.2086	\$	13.1190	\$	13.0761	\$	11.6786
GAC In Effect	\$ (0.4102)	\$	(0.4039)	\$	(0.3977)	\$	(0.3855)	\$	(0.3598)	\$	(0.3208)	\$	(0.2069)
IRC In Effect	\$ (0.1722)	\$	(0.1839)	\$	(0.1956)	\$	(0.1957)	\$	(0.1960)	\$	(0.2092)	\$	(0.2159)
Total Effective	\$ 8.9998	\$	8.3527	\$	9.7056	\$	10.6274	\$	12.5632	\$	12.5462	\$	11.2558

Month ⁽¹⁾	NET COST	FIRM	C FACTOR	C FACTOR	ADJUSTMENT	ADJUSTED	OVER/	INTEREST	TIME	INTEREST	INTEREST ON	TOTAL
	OF FUEL (1)	SALES (2)	RECOVERY RATE (3)	REVENUES BILLED (4)=(2)*(3)	FOR ACTUAL REVENUE (5)	C FACTOR REVENUES BILLED (6)=(4)*(5)	(UNDER) RECOVERY (7)=(6)-(1)	RATE ⁽²⁾ (8)	FACTOR (9)	EXPENSE (10)=(7)*(8)*(9)	REFUNDS ⁽²⁾ 11	INTEREST 12=(10+11) (13)
	(\$)		(\$)	(\$)		(\$)	(\$)			(\$)	(\$)	(\$)
SEPTEMBER 2005	18,742,248	1,287,763	9.9405	12,801,044	0.9942	12,726,350	(6,015,898)	6%	18/12	(541,431)	4,621	(538,810)
OCTOBER	38,540,938	1,434,846	11.2086	16,082,606	1.0097	16,239,119	(22,301,819)	6%	17/12	(1,895,655)	0	(1,895,655)
NOVEMBER	62,654,700	3,344,254	13.1190	43,873,198	0.9933	43,577,389	(19,077,311)	6%	16/12	(1,526,185)	1	(1,526,184)
DECEMBER	124,472,119	7,285,620	13.1190	95,711,090	0.9995	95,664,720	(28,807,399)	6%	15/12	(2,160,555)	0	(2,160,555)
JANUARY 2006	95,464,674	8,099,883	13.1190	106,262,197	0.9997	106,228,587	10,763,913	6%	14/12	753,474	13,025	766,499
FEBRUARY	91,242,555	7,578,910	13.1190	99,427,584	0.9994	99,370,705	8,128,150	6%	13/12	528,330	0	528,330
MARCH	71,601,995	7,174,333	13.1190	94,119,924	0.9998	94,098,107	22,498,112	6%	12/12	1,349,767	0	1,349,767
APRIL	28,012,400	4,131,863	13.1190	54,205,822	0.9370	50,791,110	22,778,710	6%	11/12	1,252,829	0	1,252,829
MAY	16,029,235	2,021,163	13.1190	26,515,592	1.0141	26,890,033	10,860,798	6%	10/12	543,040	0	543,040
JUNE	17,789,076	1,510,585	13.0761	19,752,626	0.9892	19,538,658	1,749,582	6%	9/12	78,731	726	79,457
JULY	13,516,388	1,248,614	11.6786	14,582,040	0.9967	14,534,471	1,018,083	6%	8/12	40,723	0	40,723
AUGUST	14,356,355	1,115,682	11.6786	13,029,589	0.9931	12,939,382	(1,416,973)	6%	7/12	(49,594)	20,842	(28,752)
	582,422,683	46,243,515		596,363,291		592,598,632	175,949			(1,626,525)	39,215	(1,587,310)

- (1) September 2005 Through June 2006 Revised
(2) See Schedule 5(a)
(3) See Schedule 5(c)

FISCAL YEAR 2006
PHILADELPHIA GAS WORKS
INTEREST ON NATURAL GAS REFUNDS

<u>MONTH</u>	NATURAL GAS REFUNDS (9)	INTEREST RATE (10)	TIME FACTOR (11)	INTEREST ON REFUNDS (13)=(9)*(10)*(11) (\$)
Sep-05	51,344	6%	18/12	4,621
Oct-05	0	6%	17/12	0
Nov-05	16	6%	16/12	1
Dec-05	0	6%	15/12	0
Jan-06	186,076	6%	14/12	13,025
Feb-06	0	6%	13/12	0
Mar-06	0	6%	12/12	0
Apr-06	0	6%	11/12	0
May-06	0	6%	10/12	0
Jun-06	16,133	6%	9/12	726
Jul-06	0	6%	8/12	0
Aug-06	<u>595,478</u>	6%	7/12	<u>20,842</u>
TOTAL	<u>849,047</u>			<u>39,215</u>

**FISCAL YEAR 2006
PHILADELPHIA GAS WORKS
DEMAND AND COMMODITY INTEREST CALCULATION**

MONTH	(1)	DEMAND CHARGE OVER/(UNDER) RECOVERY	COMMODITY CHARGE OVER/(UNDER) RECOVERY	INTEREST RATE	TIME FACTOR	DEMAND INTEREST EXPENSE	COMMODITY INTEREST EXPENSE	TOTAL INTEREST EXPENSE	(2)	TOTAL INTEREST
	OVER/ (UNDER) RECOVERY								INTEREST ON REFUNDS	
	(1)	(2)	(3)=(1)-(2)	(4)	(5)	(6)=(2)*(4)*(5)	(7)=(3)*(4)*(5)	(8)=(6)+(7)	(9)	(10)=(8)+(9)
	(\$)	(\$)	(\$)			(\$)	(\$)	(\$)	(\$)	(\$)
Sep-05	(6,015,898)	(3,420,963)	(2,594,935)	6%	18/12	(307,887)	(233,544)	(541,431)	4,621	(536,810)
Oct-05	(22,301,819)	(3,309,821)	(18,991,998)	6%	17/12	(281,335)	(1,614,320)	(1,895,655)	0	(1,895,655)
Nov-05	(19,077,311)	(1,782,788)	(17,294,523)	6%	16/12	(142,623)	(1,383,562)	(1,526,185)	1	(1,526,184)
Dec-05	(28,807,399)	3,005,771	(31,813,170)	6%	15/12	225,433	(2,385,988)	(2,160,555)	0	(2,160,555)
Jan-06	10,763,913	3,938,525	6,825,388	6%	14/12	275,697	477,777	753,474	13,025	766,499
Feb-06	8,128,150	3,445,486	4,682,664	6%	13/12	223,957	304,373	528,330	0	528,330
Mar-06	22,496,112	3,137,094	19,359,019	6%	12/12	188,226	1,161,541	1,349,767	0	1,349,767
Apr-06	22,778,710	(436,802)	23,215,512	6%	11/12	(24,024)	1,276,853	1,252,829	0	1,252,829
May-06	10,860,798	(2,204,518)	13,065,315	6%	10/12	(110,226)	653,266	543,040	0	543,040
Jun-06	1,749,582	(2,966,757)	4,716,339	6%	9/12	(133,504)	212,235	78,731	726	79,457
Jul-06	1,018,083	(2,535,685)	3,553,769	6%	8/12	(101,427)	142,151	40,723	0	40,723
Aug-06	<u>(1,416,973)</u>	<u>(3,356,339)</u>	<u>1,939,366</u>	6%	7/12	<u>(117,472)</u>	<u>67,878</u>	<u>(49,594)</u>	<u>20,842</u>	<u>(28,752)</u>
Total	175,949	(6,486,797)	6,662,746			(305,186)	(1,321,339)	(1,626,525)	39,215	(1,587,310)

(1) See Schedule 5b

(2) See Schedule 5c

GCR

STATEMENT OF RECONCILIATION

DECEMBER 2006 THROUGH NOVEMBER 2007

	NET COST OF FUEL	FIRM SALES	IRC FACTOR APPLIED	INTERRUPTIBLE REVENUE CREDIT	APPLICABLE EXPENSES	GCR FACTOR APPLIED	GCR REVENUE BILLED	OVER/(UNDER) RECOVERY	E FACTOR DISTRIBUTED ON GCR	CUMULATIVE OVER/(UNDER) RECOVERY	
	1	2	3	4 = (2 * 3)	5 = (1 - 4)	6	7	8 = (7 - 5)	9	10	
	\$	MCF	\$	\$	\$	\$	\$	\$	\$	\$	
NOVEMBER 2006 UNDER-COLLECTION									12,284,898		
MIGRATION CHARGE									(112,837)		
TOTAL "E" FACTOR									12,172,061		
<u>2006-2007</u>											
DECEMBER 2006	Estimated	85,713,953	6,751,206	0.1432	966,659	84,747,294	11.08385	74,829,355	(9,917,939)	(1,583,438)	(22,090,000)
JANUARY 2007	Estimated	103,622,287	10,393,875	0.1432	1,488,229	102,134,059	10.9119	113,416,927	11,282,868	(2,437,795)	(10,807,132)
FEBRUARY	Estimated	86,721,697	9,329,910	0.1432	1,335,887	85,385,810	10.9119	101,807,045	16,421,235	(2,188,251)	5,614,103
MARCH	Estimated	73,357,060	7,233,786	0.1432	1,035,757	72,321,304	10.9119	78,934,353	6,613,049	(1,696,623)	12,227,152
APRIL	Estimated	38,604,054	4,945,725	0.1432	708,145	37,895,909	10.9119	53,967,257	16,071,348	(1,159,978)	28,298,500
MAY	Estimated	22,409,669	2,380,597	0.1432	340,862	22,068,808	10.9119	25,976,836	3,908,029	(558,349)	32,206,529
JUNE	Estimated	15,704,321	1,552,239	0.1432	222,255	15,482,066	10.9119	16,937,877	1,455,811	(364,064)	33,662,339
JULY	Estimated	16,088,070	1,281,763	0.1432	183,527	15,904,543	10.9119	13,986,470	(1,918,073)	(300,627)	31,744,266
AUGUST	Estimated	15,964,750	1,222,416	0.1432	175,029	15,789,721	10.9119	13,338,881	(2,450,839)	(286,707)	29,293,427
SEPTEMBER	Estimated	16,965,734	1,119,387	0.1432	180,277	16,805,457	10.9119	12,214,639	(4,590,818)	(262,543)	24,702,610
OCTOBER	Estimated	30,609,857	1,763,754	0.1432	252,540	30,357,317	10.9119	19,245,907	(11,111,410)	(413,673)	13,591,200
NOVEMBER	Estimated	<u>56,957,911</u>	<u>3,922,610</u>	0.1432	<u>561,652</u>	<u>56,396,260</u>	10.9119	<u>42,803,128</u>	<u>(13,593,132)</u>	<u>(920,015)</u>	<u>(1,932)</u>
TOTAL		562,719,364	51,897,269		7,430,818	555,288,546		567,458,674	12,170,128	(12,172,061)	(1,932)

GCR

STATEMENT OF RECONCILIATION

SEPTEMBER 2006 THROUGH NOVEMBER 2006

	1	2	3 = (1 + 2)	4	5	6 = (4 * 5)	7 = (3 - 6)	8	9	10 = (9 - 7)	11	12
	\$	\$	\$	MCF	\$	\$	\$	\$	\$	\$	\$	\$
2005-2006 OVER-COLLECTION												5,406,317
2005-2006 INTEREST												<u>(1,587,319)</u>
TOTAL "E" FACTOR												3,819,007
SEPTMBER 2006 Actual	4,340,031	10,573,448	14,913,479	1,189,480	0.2159	256,811	14,656,668	11.2558	13,277,413	(1,379,255)	0	2,439,752
OCTOBER Estimated	4,822,659	20,948,648	25,771,307	1,729,343	0.2159	373,365	25,397,942	11.2558	19,465,087	(5,932,855)	0	(3,493,103)
NOVEMBER Estimated	5,234,255	47,145,761	52,380,016	3,799,801	0.2159	820,377	51,559,638	11.2558	42,767,844	(8,791,795)	0	(12,284,898)

RECONCILIATION OF DEMAND CHARGES

	1	2	3	4 = (2 * 3)	5 = (4 - 1)	6
	\$	\$	\$	\$	\$	\$
SEPTMBER 2006 Actual	4,340,031	1,189,480	1.2520	1,489,241	(2,850,790)	(2,850,790)
OCTOBER Estimated	4,822,659	1,729,343	1.2520	2,165,137	(2,857,521)	(5,508,311)
NOVEMBER Estimated	5,234,255	3,799,801	1.2520	4,757,351	(476,904)	(5,985,213)

GCR

STATEMENT OF RECONCILIATION*

SEPTEMBER 2005 THROUGH AUGUST 2006

	DEMAND CHARGES 1	COMMODITY CHARGES 2	NET COST OF FUEL 3 = (1 + 2)	FIRM SALES 4	IRC FACTOR APPLIED 5	INTERRUPTIBLE REVENUE CREDIT 6 = (4 * 5)	APPLICABLE EXPENSES 7 = (3 - 6)	GCR FACTOR APPLIED 8	GCR REVENUE BILLED 9	MONTHLY OVER/(UNDER) RECOVERY 10 = (9 - 7)	NATURAL GAS REFUNDS 11	CUMULATIVE OVER/(UNDER) RECOVERY 12
	\$	\$	\$	MCF	\$	\$	\$	\$	\$	\$	\$	\$
2004-2005 OVER-COLLECTION												21,368,705
2004-2005 INTEREST												121,542
TOTAL "E" FACTOR												21,490,247
SEPTEMBER 2005 Actual	4,933,065	13,809,183	18,742,248	1,287,763	0.1839	236,820	18,505,428	9.3527	11,973,786	(6,531,642)	61,344	15,009,948
OCTOBER Actual	5,022,174	33,518,764	38,540,938	1,434,846	0.1957	280,799	38,260,139	10.6274	15,397,084	(22,863,054)	0	(7,853,106)
NOVEMBER Actual	5,716,023	56,939,677	62,655,700	3,344,254	0.1960	655,474	61,999,226	12.5632	41,731,253	(20,267,973)	16	(28,121,063)
DECEMBER Actual	5,626,600	118,845,519	124,472,119	7,295,620	0.1960	1,429,942	123,042,177	12.5632	91,611,929	(31,430,249)	0	(59,551,311)
JANUARY 2006 Actual	5,647,084	89,817,590	95,464,674	8,099,883	0.1960	1,587,577	93,877,097	12.5632	101,728,262	7,851,165	186,076	(51,514,070)
FEBRUARY Actual	5,621,297	85,721,258	91,242,555	7,578,910	0.1960	1,485,466	89,757,089	12.5632	95,160,912	5,403,823	0	(46,110,248)
MARCH Actual	5,353,913	68,248,082	71,601,995	7,174,333	0.1960	1,406,169	70,195,826	12.5632	90,111,685	19,915,859	0	(26,194,386)
APRIL Actual	5,019,972	22,992,428	28,012,400	4,131,863	0.1960	809,846	27,202,555	12.5632	48,639,369	21,436,814	0	(4,757,572)
MAY Actual	4,630,958	11,398,277	16,029,235	2,021,163	0.1960	398,148	15,631,087	12.5632	25,750,849	10,117,762	0	5,360,189
JUNE Actual	4,786,569	13,002,507	17,789,076	1,510,585	0.2060	311,105	17,477,971	11.9095	17,795,430	317,459	16,133	5,693,781
JULY Actual	4,093,850	9,422,538	13,516,388	1,248,814	0.2159	289,676	13,246,812	11.2558	14,008,350	761,538	0	6,455,319
AUGUST Actual	4,743,503	9,612,852	14,356,355	1,116,682	0.2159	240,876	14,115,479	11.2558	12,471,000	(1,644,479)	595,478	5,406,317
Total	61,094,008	631,328,876	692,422,883	46,243,616		9,109,796	583,312,887		566,379,909	(16,932,977)	849,047	5,406,317

RECONCILIATION OF DEMAND CHARGES*

	DEMAND CHARGES 1	FIRM SALES 2	DEMAND CHARGE IN EFFECT 3	DEMAND CHARGES BILLED 4 = (2 * 3)	ADJUSTMENT FOR ACTUAL REVENUE 5	ADJUSTED C FACTOR REVENUES BILLED 6	MONTHLY DEMAND OVER/(UNDER) 7 = (6 - 1)	CUMULATIVE DEMAND OVER/(UNDER) 8
	\$	\$	\$	\$	\$	\$	\$	\$
SEPTEMBER 2005 Actual	4,933,065	1,287,763	1.1811	1,520,977	0.9942	1,612,102	(3,420,963)	(3,420,963)
OCTOBER Actual	5,022,174	1,434,846	1.1819	1,695,850	1.0097	1,712,353	(3,309,821)	(6,730,783)
NOVEMBER Actual	5,716,023	3,344,254	1.1838	3,958,928	0.9933	3,932,235	(1,782,788)	(8,513,571)
DECEMBER Actual	5,626,600	7,295,620	1.1838	8,636,555	0.9995	8,632,371	3,005,771	(5,507,800)
JANUARY 2006 Actual	5,647,084	8,099,883	1.1838	9,588,641	0.9997	9,585,609	3,938,525	(1,569,276)
FEBRUARY Actual	5,621,297	7,578,910	1.1838	8,971,914	0.9994	8,966,763	3,445,466	1,876,210
MARCH Actual	5,353,913	7,174,333	1.1838	8,492,875	0.9998	8,491,007	3,137,094	5,013,304
APRIL Actual	5,019,972	4,131,863	1.1838	4,881,299	0.9370	4,563,170	(436,802)	4,576,502
MAY Actual	4,630,958	2,021,163	1.1838	2,392,652	1.0141	2,428,440	(2,204,518)	2,371,984
JUNE Actual	4,786,569	1,510,585	1.2179	1,839,741	0.9892	1,819,812	(2,966,757)	(594,773)
JULY Actual	4,093,850	1,248,814	1.2520	1,563,284	0.9967	1,558,165	(2,535,666)	(3,130,458)
AUGUST Actual	4,743,503	1,116,682	1.2520	1,398,834	0.9931	1,387,164	(3,356,339)	(6,486,797)

* September 2005 Through August 2006 Revised

CALCULATION OF RECOVERED CHARGES

1st QUARTER FILING

DECEMBER 2006 - NOVEMBER 2007

	<u>50% of December</u>	<u>11.5 Months</u>	<u>Total</u>
			(MCF) (\$)
Firm Sales (Mcf)	3,375,603	48,521,666	51,897,269
GCR (\$ / Mcf)	\$ 11.2558	\$ 10.9119	
Total Projected Recovery	\$ 37,995,107	\$ 529,463,567	\$ 567,458,674

Change In Rates 1st Quarter Filing

Rates Effective December 1, 2006 *

Distribution Charge

	<u>Delivery Charge</u>			<u>Surcharges</u>			<u>Total Distribution Charge / Mcf</u>
	<u>Base Charge</u>	<u>Revenue Realignment Adjustment</u>	<u>Sub-Total Delivery Charge</u>	<u>Restructuring & Consumer Education</u>	<u>Universal Service & Ener. Cons.</u>	<u>Sub-Total Surcharges</u>	
Residential GS/PHAGS	\$4.1223	\$0.0901	\$4.2124	\$0.0662	\$2.3954	\$2.4616	\$6.6740
Commercial GS/MUNGS	\$4.2155	\$0.0901	\$4.3056	\$0.0662	\$2.3954	\$2.4616	\$6.7672
Industrial GS	\$4.2128	\$0.0901	\$4.3029	\$0.0662	\$2.3954	\$2.4616	\$6.7645
Phila.Housing Authority (PHA)	\$4.2051	\$0.0901	\$4.2952	\$0.0662	\$2.3954	\$2.4616	\$6.7568
Municipal (MS)	\$3.0569	\$0.0901	\$3.1470	\$0.0662	\$2.3954	\$2.4616	\$5.6086

Proposed Rates

	<u>9/1/06 Distribution Charge</u> (4)	<u>9/1/06 GCR</u> (2)	<u>9/1/06 Commodity Rate</u> (3)=(1)+(2)	<u>12/1/06 Distribution Charge</u> (4)	<u>12/1/06 GCR</u> (5)	<u>12/1/06 Commodity Rate</u> (6)=(4)+(5)	<u>Decrease</u> (7)=(6)-(3)
Residential GS/PHAGS	\$7.0294	\$11.2558	\$18.2852	\$6.6740	\$10.9119	\$17.5859	(\$0.6993)
Commercial GS/MUNGS	\$7.1226	\$11.2558	\$18.3784	\$6.7672	\$10.9119	\$17.6791	(\$0.6993)
Industrial GS	\$7.1199	\$11.2558	\$18.3757	\$6.7645	\$10.9119	\$17.6764	(\$0.6993)
Phila.Housing Authority (PHA)	\$7.1122	\$11.2558	\$18.3680	\$6.7568	\$10.9119	\$17.6687	(\$0.6993)
Municipal (MS)	\$5.9640	\$11.2558	\$17.2198	\$5.6086	\$10.9119	\$16.5205	(\$0.6993)

* Excludes Customer Charge

**Philadelphia Gas Works
December 1, 2006**

UNIVERSAL SERVICE & ENERGY CONSERVATION SURCHARGE

	<u>Expenses in the Surcharge</u>
Conservation Works Program (CWP)	2,100,000
Customer Responsibility Program (CRP) Discount	93,333,851
Senior Citizen Discount	13,509,581 *
November 2006 Under Collection	<u>14,687,688</u>
Total \$ to be Recovered	\$ 123,631,120
Applicable Volumes	Mcf 51,611,525
Universal Service & Energy Conservation Surcharge	\$ 2.3954

* This is the Senior Citizen Discount on the Delivery Charge, GCR and Restructuring Surcharge which is used to calculate the Universal Services Surcharge. The total Senior Citizen Discount is \$15,449,573.

STATEMENT OF RECONCILIATION

UNIVERSAL SERVICES & ENERGY CONSERVATION SURCHARGE

SEPTEMBER 2006 THROUGH NOVEMBER 2006

<u>Month</u>		<u>Applicable Volumes</u>	<u>USC Charge</u>	<u>USC Revenue Billed</u>	<u>USC Expenses</u>	<u>Monthly Over/(Under) Recovery</u>	<u>Cumulative Over/(Under) Recovery</u>
FY 06 Reconciliation							(\$27,049,360)
September 2006	Actual	1,174,632	\$ 2.7508	\$ 3,231,178	\$ (669,366)	\$ 3,900,544	(\$23,148,817)
October	Estimated	1,708,659	\$ 2.7508	\$ 4,700,179	\$ 617,609	\$ 4,082,571	(\$19,066,246)
November	Estimated	<u>3,753,129</u>	\$ 2.7508	<u>\$ 10,324,107</u>	<u>\$ 5,945,549</u>	<u>\$ 4,378,558</u>	<u>(\$14,687,688)</u>
Total		6,636,420		\$ 18,255,464	\$ 5,893,792	\$ 12,361,672	(\$14,687,688)

<u>USC Expenses</u>	<u>Sep-06</u>	<u>Oct-06</u>	<u>Nov-06</u>
Conservation Works	\$ 10,824	\$ 105,434	\$ 131,892
CRP Discount	\$ (1,847,895)	\$ (794,969)	\$ 3,759,063
CRP Forgiveness	\$ 779,997	\$ 802,371	\$ 900,000
Senior Citizen Discount	<u>\$ 387,708</u>	<u>\$ 504,773</u>	<u>\$ 1,154,594</u>
	\$ (669,366)	\$ 617,609	\$ 5,945,549

FINALIZED STATEMENT OF RECONCILIATION
UNIVERSAL SERVICES & ENERGY CONSERVATION SURCHARGE
SEPTEMBER 2005 TO AUGUST 2006

<u>Month*</u>	<u>Applicable Volumes</u>	<u>USC Charge</u>	<u>USC Revenue Billed</u>	<u>USC Expenses</u>	<u>Monthly Over(Under) Recovery</u>	<u>Cumulative Over(Under) Recovery</u>
FY 06 Reconciliation						\$ (18,274,447)
September 2005	Actual 1,270,667	\$ 1,8398	\$ 2,337,774	\$ (555,503)	\$ 2,893,278	\$ (13,381,171)
October	Actual 1,414,374	\$ 2,0379	\$ 2,882,390	\$ 574,821	\$ 2,307,569	\$ (11,073,602)
November	Actual 3,284,924	\$ 2,3723	\$ 7,782,825	\$ 5,301,572	\$ 2,491,253	\$ (8,582,348)
December	Actual 7,184,383	\$ 2,3723	\$ 18,998,019	\$ 20,498,931	\$ (3,500,911)	\$ (12,083,260)
January 2008	Actual 7,953,437	\$ 2,3723	\$ 18,867,940	\$ 26,162,978	\$ (7,295,037)	\$ (19,378,296)
February	Actual 7,445,841	\$ 2,3723	\$ 17,863,769	\$ 25,068,370	\$ (7,404,602)	\$ (26,782,898)
March	Actual 7,052,335	\$ 2,3723	\$ 16,730,254	\$ 23,428,690	\$ (8,698,436)	\$ (33,481,334)
April	Actual 4,064,483	\$ 2,3723	\$ 8,642,172	\$ 12,639,520	\$ (2,997,348)	\$ (36,478,682)
May	Actual 1,991,717	\$ 2,3723	\$ 4,724,950	\$ 3,627,967	\$ 1,096,982	\$ (35,381,700)
June	Actual 1,491,160	\$ 2,5618	\$ 3,819,880	\$ 1,030,471	\$ 2,789,209	\$ (32,592,491)
July	Actual 1,232,999	\$ 2,7508	\$ 3,391,733	\$ (151,567)	\$ 3,543,300	\$ (29,049,191)
August	Actual 1,102,042	\$ 2,7508	\$ 3,031,498	\$ 1,031,668	\$ 1,999,830	\$ (27,049,360)
Total	45,468,342		\$ 107,881,002	\$ 118,655,916	\$ (10,774,913)	\$ (27,049,360)

* September 2005 Through June 2008 Revised

<u>USC Expenses</u>	<u>Sep-06</u>	<u>Oct-06</u>	<u>Nov-06</u>	<u>Dec-06</u>	<u>Jan-06</u>	<u>Feb-06</u>	<u>Mar-06</u>	<u>Apr-06</u>	<u>May-06</u>	<u>Jun-06</u>	<u>Jul-06</u>	<u>Aug-06</u>	<u>Total</u>
Conservation Works	\$ 15,736	\$ 103,282	\$ 129,176	\$ 180,876	\$ 117,949	\$ 147,125	\$ 61,315	\$ 168,617	\$ 125,881	\$ 207,910	\$ 417,633	\$ 432,057	\$ 2,107,537
CRP Discount	\$ (1,725,443)	\$ (794,969)	\$ 3,112,253	\$ 18,918,299	\$ 22,222,990	\$ 21,339,644	\$ 19,901,410	\$ 10,186,986	\$ 1,837,613	\$ (594,467)	\$ (1,775,745)	\$ (655,048)	\$ 89,971,523
CRP Forgiveness	\$ 759,655	\$ 778,782	\$ 779,195	\$ 789,119	\$ 793,578	\$ 790,555	\$ 1,000,525	\$ 826,055	\$ 957,955	\$ 931,321	\$ 823,853	\$ 888,066	\$ 10,118,668
Senior Citizen Discount	\$ 394,549	\$ 487,738	\$ 1,280,848	\$ 2,610,637	\$ 3,028,460	\$ 2,791,048	\$ 2,465,440	\$ 1,457,862	\$ 706,518	\$ 485,707	\$ 382,692	\$ 366,593	\$ 16,458,168
	\$ (555,503)	\$ 574,821	\$ 5,301,572	\$ 20,498,931	\$ 26,162,978	\$ 25,068,370	\$ 23,428,690	\$ 12,639,520	\$ 3,627,967	\$ 1,030,471	\$ (151,567)	\$ 1,031,668	\$ 118,655,916

Natural Gas Prices Used In PGW's 1st Quarter GCR Filing

December 1, 2006

	GLOBAL INSIGHT(GI) PRICES										Basis Differentials								NYMEX Futures 11/1/06 Close	Prices Used For Gas Cost Inputs																			
	Trancco					TETCO					Nov. 2006 Henry Hub	Trancco				TETCO				Trancco					TETCO														
	Sta.30	Sta. 45	Sta. 65	ELA	WLA	ETX	STX	Average ELA/ETX	M-1	Sta.30		Sta. 45	Sta. 65	ELA	WLA	ETX	STX	Average ELA/ETX		M-1	Close	Sta. 30	Sta. 45	Sta. 65	ELA	WLA	ETX	STX	ELA/ETX	M-1	Sta. 30	Sta. 45	Sta. 65	ELA	WLA	ETX	STX	ELA/ETX	M-1
2006:11																					ACTUAL	6.93	6.99	7.03	7.08	7.05	6.79	6.75	6.93	6.93									
2006:12	6.47	6.56	6.62	6.57	6.53	6.45	6.36	6.51	6.67	6.61	(0.14)	(0.03)	0.01	(0.04)	(0.08)	(0.18)	(0.25)	(0.10)	0.06	7.712	NYMEX	7.57	7.68	7.72	7.67	7.63	7.55	7.46	7.61	7.77									
2007:1	9.56	9.67	9.71	9.66	9.62	9.46	9.45	9.56	9.77	9.70	(0.14)	(0.03)	0.01	(0.04)	(0.08)	(0.24)	(0.25)	(0.14)	0.07	8.207	NYMEX	8.07	8.18	8.22	8.17	8.13	7.97	7.96	8.07	8.28									
2007:2	9.39	9.49	9.54	9.49	9.45	9.29	9.29	9.39	9.59	9.53	(0.14)	(0.04)	0.01	(0.04)	(0.08)	(0.24)	(0.24)	(0.14)	0.06	8.262	NYMEX	8.12	8.22	8.27	8.22	8.18	8.02	8.02	8.12	8.32									
2007:3	8.94	9.02	9.08	9.02	8.98	8.86	8.86	8.94	9.10	9.07	(0.13)	(0.05)	0.01	(0.05)	(0.08)	(0.21)	(0.21)	(0.13)	0.03	8.132	GI-NYMEX	8.47	8.55	8.61	8.55	8.52	8.39	8.39	8.47	8.63									
2007:4	8.67	8.72	8.79	8.71	8.70	8.66	8.60	8.69	8.79	8.77	(0.10)	(0.05)	0.02	(0.06)	(0.07)	(0.11)	(0.17)	(0.08)	0.02	7.642	GI-NYMEX	8.11	8.16	8.23	8.15	8.14	8.10	8.04	8.12	8.23									
2007:5	8.33	8.37	8.43	8.35	8.35	8.32	8.26	8.34	8.42	8.42	(0.09)	(0.05)	0.01	(0.07)	(0.07)	(0.10)	(0.16)	(0.08)	0.00	7.616	GI-NYMEX	7.93	7.97	8.03	7.95	7.95	7.92	7.86	7.93	8.02									
2007:6	8.27	8.32	8.38	8.30	8.30	8.27	8.19	8.29	8.38	8.37	(0.10)	(0.05)	0.01	(0.07)	(0.07)	(0.10)	(0.18)	(0.08)	0.01	7.703	GI-NYMEX	7.94	7.99	8.05	7.97	7.97	7.94	7.86	7.95	8.05									
2007:7	8.23	8.30	8.35	8.28	8.27	8.23	8.15	8.26	8.36	8.34	(0.11)	(0.04)	0.01	(0.06)	(0.07)	(0.11)	(0.19)	(0.09)	0.02	7.803	GI-NYMEX	7.96	8.03	8.08	8.01	8.00	7.96	7.88	7.99	8.09									
2007:8	8.06	8.12	8.17	8.10	8.09	8.05	7.98	8.08	8.18	8.16	(0.10)	(0.04)	0.01	(0.06)	(0.07)	(0.11)	(0.18)	(0.09)	0.02	7.869	GI-NYMEX	7.91	7.97	8.02	7.95	7.94	7.90	7.83	7.93	8.03									
2007:9	8.04	8.09	8.15	8.07	8.07	8.02	7.97	8.05	8.15	8.14	(0.10)	(0.05)	0.01	(0.07)	(0.07)	(0.12)	(0.17)	(0.10)	0.01	7.817	GI-NYMEX	7.93	7.98	8.04	7.96	7.96	7.91	7.86	7.93	8.04									
2007:10	8.24	8.29	8.35	8.27	8.27	8.21	8.17	8.24	8.35	8.34	(0.10)	(0.05)	0.01	(0.07)	(0.07)	(0.13)	(0.17)	(0.10)	0.01	8.012	GI-NYMEX	8.08	8.13	8.18	8.11	8.11	8.05	8.01	8.08	8.19									
2007:11	9.68	9.75	9.81	9.74	9.72	9.62	9.59	9.68	9.82	9.79	(0.11)	(0.04)	0.02	(0.05)	(0.07)	(0.17)	(0.20)	(0.11)	0.03	8.477	GI-NYMEX	9.02	9.09	9.15	9.08	9.06	8.96	8.93	9.02	9.16									

Actual Natural Gas Billed

	<u>Jul-06</u>	<u>Aug-06</u>	<u>Sep-06</u>
Williams	\$ 1,967,661	\$ 1,970,054	\$ 1,863,200
Texas Eastern	\$ 2,044,353	\$ 2,357,626	\$ 2,094,672
Dominion	\$ 132,628	\$ 132,875	\$ 131,948
Equitrans	\$ 35,031	\$ 35,031	\$ 34,983
Spot Purchases -Transco	\$ 191,540	\$ -	\$ 749,980
Spot Purchases -Tetco	\$ -	\$ -	\$ -
Transco Supply1	\$ -	\$ -	\$ -
Transco Supply2	\$ -	\$ 5,186,817	\$ 5,333,375
Transco Supply3	\$ 3,925,867	\$ 4,417,500	\$ 4,323,000
Transco Supply4	\$ -	\$ -	\$ -
Transco Supply5	\$ -	\$ -	\$ -
Transco Supply6	\$ 150,586	\$ -	\$ 1,671,094
Transco Supply7	\$ 6,738,539	\$ 1,799,077	\$ 2,431,693
Transco Supply8	\$ 2,340,500	\$ 2,365,300	\$ 3,137,224
Transco Supply9	\$ -	\$ -	\$ -
Transco Supply10	\$ 1,923,498	\$ 1,489,077	\$ 2,922,793
Transco Supply11	\$ -	\$ -	\$ -
Transco Supply12	\$ -	\$ -	\$ -
Transco Supply13	\$ -	\$ -	\$ -
Transco Supply14	\$ 2,528,670	\$ 2,529,290	\$ 2,477,750
Transco Supply15	\$ 82,005	\$ -	\$ 291,571
Transco Supply16	\$ -	\$ -	\$ -
Transco Supply17	\$ 1,949,900	\$ 1,891,000	\$ 2,082,000
Transco Supply18	\$ -	\$ -	\$ -
Tetco Supply1	\$ 746,868	\$ 531,684	\$ 74,634
Tetco Supply2	\$ -	\$ -	\$ -
Tetco Supply3	\$ -	\$ -	\$ -
Tetco Supply4	\$ -	\$ -	\$ -
Tetco Supply5	\$ -	\$ -	\$ -
Tetco Supply6	\$ -	\$ -	\$ -
Tetco Supply7	\$ 2,137,924	\$ 2,080,097	\$ 2,147,965
Tetco Supply8	\$ -	\$ -	\$ -
Tetco Supply9	\$ -	\$ -	\$ -
Tetco Supply10	\$ -	\$ -	\$ -
Tetco Supply11	\$ -	\$ -	\$ -
Tetco Supply12	\$ -	\$ -	\$ -
Tetco Supply13	\$ -	\$ -	\$ -
Tetco Supply14	\$ 2,177,750	\$ 1,731,350	\$ 1,762,500
Tetco Supply15	\$ -	\$ -	\$ -
Tetco Supply16	\$ -	\$ -	\$ -
Total Costs	\$ 29,073,320	\$ 28,516,779	\$ 33,530,381
Off System Sales	\$ -	\$ (297,750)	\$ -
Gas Transportation Purchases	\$ 36,045	\$ 63,789	\$ 27,544
Adjustment/Reconciliation	\$ (31,552)	\$ 94,504	\$ 16,838
Total Natural Gas Billed	\$ 29,077,813	\$ 28,377,322	\$ 33,574,763

**Philadelphia Gas Works
Summary of Fuels Purchased
Three Months Ending September 2006**

	<u>Actual</u>				<u>Projected</u>			<u>Total</u>	<u>Actual Over/Under vs. Projected</u>			
	<u>Jul-06</u>	<u>Aug-06</u>	<u>Sep-06</u>	<u>Total</u>	<u>4th Qtr Filing Jul-06</u>	<u>4th Qtr Filing Aug-06</u>	<u>4th Qtr Filing Sep-06</u>		<u>Jul-06</u>	<u>Aug-06</u>	<u>Sep-06</u>	<u>Total</u>
Total Natural Gas Billed	\$ 29,077,813	\$ 28,377,322	\$ 33,574,763	\$ 91,029,898	\$ 30,061,884	\$ 36,032,134	\$ 41,225,920	\$ 107,319,938	\$ (984,071)	\$ (7,654,812)	\$ (7,651,157)	\$ (16,290,040)
Less Interruptible Credit Gas Used For Utility	\$ 817,477	\$ 1,074,485	\$ 3,880,995	\$ 5,552,937	\$ 662,174	\$ 770,711	\$ 720,118	\$ 2,153,003	\$ (44,697)	\$ 303,754	\$ 3,140,877	\$ 3,399,934
	\$ 139,304	\$ 124,787	\$ 154,885	\$ 418,958	\$ 40,314	\$ 39,874	\$ 41,691	\$ 121,979	\$ 98,990	\$ 84,813	\$ 113,174	\$ 298,977
	28,321,032	27,178,070	29,558,903	85,058,005	29,359,396	35,221,449	40,464,111	105,044,956	(1,038,364)	(8,043,379)	(10,905,208)	(19,988,951)
Pipeline Storage												
(To)	\$ (15,480,450)	\$ (13,428,345)	\$ (13,318,477)	\$ (42,225,272)	\$ (14,813,545)	\$ (20,804,695)	\$ (21,882,417)	\$ (57,500,657)	\$ (668,905)	\$ 7,376,350	\$ 8,565,940	\$ 15,275,385
From	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Pipeline Storage	\$ (15,480,450)	\$ (13,428,345)	\$ (13,318,477)	\$ (42,225,272)	\$ (14,813,545)	\$ (20,804,695)	\$ (21,882,417)	\$ (57,500,657)	\$ (666,805)	\$ 7,376,350	\$ 8,565,940	\$ 15,275,385
LNG Storage												
(To)	\$ 52,599	\$ -	\$ (2,014,989)	\$ (1,962,390)	\$ -	\$ -	\$ (2,950,925)	\$ (2,950,925)	\$ 52,599	\$ -	\$ 935,936	\$ 988,535
From	\$ 570,881	\$ 534,558	\$ 618,832	\$ 1,724,271	\$ 648,159	\$ 648,159	\$ 630,260	\$ 1,926,578	\$ (77,278)	\$ (113,601)	\$ (11,428)	\$ (202,307)
Net LNG Storage	\$ 623,480	\$ 534,558	\$ (1,396,157)	\$ (238,119)	\$ 648,159	\$ 648,159	\$ (2,320,664)	\$ (1,024,346)	\$ (24,679)	\$ (113,601)	\$ 924,507	\$ 786,227
Net Natural Gas	\$ 13,464,062	\$ 14,284,283	\$ 14,848,269	\$ 42,594,614	\$ 15,194,010	\$ 15,064,913.00	\$ 18,261,030	\$ 46,519,953	\$ (1,729,948)	\$ (780,630)	\$ (1,414,761)	\$ (3,925,339)
APPLICABLE GCR EXPENSES												
Net Natural Gas Expense	\$ 13,464,062	\$ 14,284,283	\$ 14,848,269	\$ 42,594,614	\$ 15,194,010	\$ 15,064,913	\$ 18,261,030	\$ 46,519,953	\$ (1,729,948)	\$ (780,630)	\$ (1,414,761)	\$ (3,925,339)
Electric	\$ 52,328	\$ 72,072	\$ 87,210	\$ 191,608	\$ 92,840	\$ 102,863	\$ 89,333	\$ 285,036	\$ (40,514)	\$ (30,791)	\$ (22,123)	\$ (93,428)
Total GCR Expenses	\$ 13,516,390	\$ 14,356,355	\$ 14,913,479	\$ 42,766,222	\$ 15,286,850	\$ 15,167,776	\$ 18,350,363	\$ 46,804,989	\$ (1,770,462)	\$ (811,421)	\$ (1,436,884)	\$ (4,018,767)