

MOTION BY: Commissioner Cawley
SECONDED: Commissioner Pizzingrilli

Commissioner Chm. Holland - Yes
Commissioner Christy - Yes

CONTENT OF MOTION:

1. Hess's imbalance trading proposal be adopted.
2. PGW be directed to submit in Docket No. I-00040103 the above-described information within 90 days of entry of an Order in this proceeding.
3. The Office of Special Assistants draft an appropriate Order consistent with this Motion.

Note: This Motion by Vice Chairman Cawley disposed of issue 20 in the poll.

Statement of Chairman Wendell F. Holland attached. (Issue 14)

Dissenting Statement of Vice Chairman James H. Cawley attached. (Issue 2)

Statement of Commissioner Tyrone J. Christy attached. (Issue 2, 12, 15)

PHILADELPHIA GAS WORKS Docket No. R-00016931
STATEMENT OF INCOME
(Dollars In Thousands)

[1]	[2]	[3]	[4=2+3]	[5]	[6=4+5]	[7]	[8=6+7]
	Company Proposed / Revised Present Rate Budget			Commission Adjustments		Commission Allowed	
	PGW BUDGET 2006-07	Present Rate PGW Adjustments	PGW Revised BUDGET 2006-07	Present Rate	Revised BUDGET 2006-07	Annual Increase Revenue	
OPERATING REVENUES							
1 Non-Heating	\$ 114,834		\$ 114,834		\$ 114,834		\$ 114,834
2 Gas Transport Service	7,256		7,256		7,256		7,256
3 Heating	820,732	\$ 6,497 A	827,229		827,229		827,229
4 Restructuring Charge	-	(3,396) B	(3,396)		(3,396)		(3,396)
5 Proposed Base Rate						\$ 25,000	
6 Weather Normalization Adjustment	-						
7 Unbilled Adjustment	(732)		(732)		(732)		(732)
8 Total Gas Revenues	942,090	3,101	945,191		945,191	25,000	970,191
9 Appliance Repair & Other Revenues	10,532		10,532		10,532		10,532
10 Other Operating Revenues	18,032		18,032		18,032		18,032
11 Total Other Operating Revenues	28,564	-	28,564		28,564		28,564
12 Total Operating Revenues	970,654	3,101	973,755		973,755	25,000	998,755
OPERATING EXPENSES							
14 Natural Gas	630,836	4,546 C	635,382		635,382		635,382
15 Other Raw Material	5		5		5		5
16 Sub-Total Fuel	630,841	4,546	635,387		635,387		635,387
17 CONTRIBUTION MARGINS	339,813	(1,445)	338,368		338,368	25,000	363,368
OTHER OPERATING EXPENSES							
19 Gas Processing	15,715		15,715		15,715		15,715
20 Field Services	34,698		34,698		34,698		34,698
21 Distribution	16,536		16,536		16,536		16,536
22 Collection	7,944		7,944		7,944		7,944
23 Customer Service	14,125		14,125		14,125		14,125
24 Account Management	7,625		7,625		7,625		7,625
25 Bad Debt Expense	52,258	(500) D	51,758	(9,224) a	42,534	1,125 h	43,659
26 Marketing	2,992		2,992	(475) b	2,517		2,517
27 Administrative & General	43,963	(240) E	43,723	(1,270) c	42,453		42,453
28 Health Insurance	37,784	(460) F	37,324		37,324		37,324
29 Capitalized Fringe Benefits	(11,261)		(11,261)		(11,261)		(11,261)
30 Capitalized Administrative Charges	(7,950)		(7,950)		(7,950)		(7,950)
31 Amortization of Restructuring Costs	-		-		-		-
32 Pensions	15,075		15,075		15,075		15,075
33 Taxes	6,485		6,485		6,485		6,485
34 Environmental Expenses	-		-		-		-
35 Pro Forma Adjustments (PGW)	217		217		217		217
36							
37 Cost / Labor Savings	(6,274)		(6,274)		(6,274)		(6,274)
38 Sub-Total Other Oper. & Maintenance	229,932	(1,200)	228,732	(10,969)	217,762	1,125	218,887
39 Depreciation	38,213		38,213		38,213		38,213
40 Cost of Removal	3,200		3,200		3,200		3,200
41 To Clearing Accounts	(3,217)		(3,217)		(3,217)		(3,217)
42	38,196	-	38,196		38,196		38,196
43 Sub Total Other Oper. & Maint. & Depreciation	268,128	(1,200)	266,928	(10,969)	255,958	1,125	257,083
44							
45 TOTAL OPERATING EXPENSES	898,969	3,346	902,315	(10,969)	891,345	1,125	892,470
46 OPERATING INCOME	71,685	(245)	71,440	10,969	82,410	23,875	106,285
47 Other Income	11,212		11,212		11,212		11,212
48 INCOME BEFORE INTEREST	82,897	(245)	82,652	10,969	93,622	23,875	117,497
49 INTEREST							
50 Long-Term Debt	56,437	2,708 G	59,145		59,145		59,145
51 Other	13,186		13,186		13,186		13,186
52 AFUDC	(1,202)		(1,202)		(1,202)		(1,202)
53 Loss From Extinguishment of Debt	5,557		5,557		5,557		5,557
54 Total Interest	73,978	2,708	76,686		76,686		76,686
55 NET INCOME	8,919	(2,953)	5,966	10,969	16,936	23,875	-
56 City Payment							
57 Net Earnings	\$ 8,919	\$ (2,953)	\$ 5,966	\$ 10,969	\$ 16,936	\$ 23,875	\$ 40,811

Note: Columns 2, 3 and 4 from PGW Revised JRB - 13A. See R.D. at 45.

Columns 5, 6, 7 and 8 calculated pursuant to Commission Final Order Allowance.

Adjustments in Column 3 are explained at Attachment A to these tables.

Adjustments in Columns 5 and 7, are explained in Attachment B to these tables.

Adjustment 'c' in column 5, is the sum of adjustments c, d, e and f.

PHILADELPHIA GAS WORKS Docket No. R-00061931
 CASHFLOW STATEMENT
 (Dollars in Thousands)

	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]
	Company Proposed / Revised Present Rate Budget			Commission Adjustments		Commission Allowed		
	PGW BUDGET 2006-07	Present Rate PGW Adjustments	PGW Revised Budget 2006-07	Present Rate	Revised Budget 2006-07	Annual		
						Increase	Revenue	
1 SOURCES								
2 Net Income	\$ 8,919	\$ (2,953)	\$ 5,966	\$ 10,969	\$ 16,936	\$ 23,875	\$ -	
3 Depreciation & Amortization	46,007		46,007		46,007		46,007	
4 Earnings on Restricted Funds	38		38		38		38	
5 Elimination of Accrued Interest on Refunded Debt								
6 Increased/(Decreased) Other Assets/Liabilities	911		911		911		911	
7 Available From Operations	55,875	(2,953)	52,922	10,969	63,892	23,875	46,956	
8 Funds Required for Capital	72,000		72,000		72,000		72,000	
9 Grant Income	18,000		18,000		18,000		18,000	
10 Capital Leasing Funds Debt Service	-		-		-		-	
11 Capitalized Interest Debt Service	-		-		-		-	
12 Release of Sinking Fund Asset	-		-		-		-	
13 Temporary Financing	20,000		20,000		20,000		20,000	
14 TOTAL SOURCES	<u>\$ 165,875</u>	<u>\$ (2,953)</u>	<u>\$ 162,922</u>	<u>\$ 10,969</u>	<u>\$ 173,892</u>	<u>\$ 23,875</u>	<u>\$ 156,956</u>	
15 USES								
16 Net Construction Expenditures	\$ 75,152		\$ 75,152		\$ 75,152		\$ 75,152	
17 LNG & BCCS								
18 Funded Debt Reduction:								
19 Revenue Bonds	36,675	5,145 H	41,820		41,820		41,820	
20 PMA Lease/Subordinate Debt	1,370		1,370		1,370		1,370	
21 Capital Lease	-		-		-		-	
22 Debt Reduction Funding	-		-		-		-	
23 Temporary Financing Repayment								
24 City Loan Repayment/Status	2,000		2,000		2,000	20,500	22,500	
25 Distribution of Earnings	18,000		18,000		18,000		18,000	
26 Additions To (Reductions of)								
27 Non-Cash Working Capital	(8,118)		(8,118)		(8,118)		(8,118)	
28 Cash Needs	125,079	5,145	130,224	-	130,224	20,500	150,724	
29 Cash Surplus (Shortfall)	40,796	(8,098)	32,698	10,969	43,668	3,375	6,232	
30 TOTAL USES	<u>\$ 165,875</u>	<u>\$ (2,953)</u>	<u>\$ 162,922</u>	<u>\$ 10,969</u>	<u>\$ 173,892</u>	<u>\$ 23,875</u>	<u>\$ 156,956</u>	
31 Cash - Beginning of Period	\$ 10,820		\$ 10,820		\$ 10,820		\$ 10,820	
32 Cash - Surplus (Shortfall)	40,796	(8,098)	32,698	10,969	43,668	3,375	6,232	
33 ENDING CASH	<u>\$ 51,616</u>	<u>\$ (8,098)</u>	<u>\$ 43,518</u>	<u>\$ 10,969</u>	<u>\$ 54,488</u>	<u>\$ 3,375</u>	<u>\$ 17,052</u>	
34 Outstanding Commercial Paper	\$ 90,000		\$ 90,000		\$ 90,000		\$ 90,000	
35 City Loan Outstanding	\$ 43,000		\$ 43,000		\$ 43,000	(20,500)	\$ 22,500	

PHILADELPHIA GAS WORKS Docket No. R-00061931
DEBT SERVICE COVERAGE
(Dollars in Thousands)

[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]
	Company Proposed / Revised Present Rate Budget			Commission Adjustments		Commission Allowed	
	PGW BUDGET 2006-07	Present Rate PGW Adjustments	PGW Revised BUDGET 2006-07	Present Rate	Revised BUDGET 2006-07	Annual Increase Revenue	
1 FUNDS PROVIDED							
2 Total Gas Revenues	\$ 942,090	\$ 3,101	\$ 945,191	\$ -	\$ 945,191	\$ 25,000	\$ 970,191
3 Other Operating Revenues	28,564		28,564		28,564		28,564
4 Total Operating Revenues	970,654	3,101	973,755	-	973,755	25,000	998,755
5 Other Income Incr. / (Decr.) Restricted Funds	11,250		11,250		11,250		11,250
6 City Grant	18,000		18,000		18,000		18,000
7 AFUDC (Interest)	1,202		1,202		1,202		1,202
8 TOTAL FUNDS PROVIDED	<u>\$ 1,001,106</u>	<u>\$ 3,101</u>	<u>\$ 1,004,207</u>	<u>\$ -</u>	<u>\$ 1,004,207</u>	<u>\$ 25,000</u>	<u>\$ 1,029,207</u>
9 FUNDS APPLIED							
10 Fuel Costs	\$ 630,841	\$ 4,546	\$ 635,387	\$ -	\$ 635,387	\$ -	\$ 635,387
11 Other Operating Costs	268,128	(1,200)	266,928	(10,969) 1	255,958	1,125 2	257,083
12 Total Operating Expenses	898,969	3,346	902,315	(10,969)	891,345	1,125	892,470
13 Less: Non-Cash Expenses	41,887	-	41,887	-	41,887	-	41,887
14 TOTAL FUNDS APPLIED	<u>\$ 857,082</u>	<u>\$ 3,346</u>	<u>\$ 860,428</u>	<u>\$ (10,969)</u>	<u>\$ 849,458</u>	<u>\$ 1,125</u>	<u>\$ 850,583</u>
15 Funds Available to Cover Debt Service	\$ 144,024	\$ (245)	\$ 143,779	\$ 10,969	\$ 154,749	\$ 23,875	\$ 178,624
16 1975 Ordinance Bonds Debt Service	\$ 35,748		\$ 35,748		\$ 35,748		\$ 35,748
17 Debt Service Coverage 1975 Bonds	4.03	(0.01)	4.02	0.31	4.33	0.67	5.00
18 Net Available after Prior Debt Service	\$ 108,276	\$ (245)	\$ 108,031	\$ 10,969	\$ 119,001	\$ 23,875	\$ 142,876
19 Other Capital Leases	-		-		-		-
20 Net Available after Prior Capital Leases	108,276	(245)	108,031	10,969	119,001	23,875	142,876
21 1998 Ordinance Bonds Debt Service	\$ 53,313	\$ 5,145	\$ 58,458		\$ 58,458		\$ 58,458
22 New Proposed Bond Debt Service	-		-		-		-
23 Total New Debt Service	\$ 53,313	\$ 5,145	\$ 58,458	-	\$ 58,458	-	\$ 58,458
24 Debt Service Coverage 1998 Bonds	2.03	(0.18)	1.85	0.19	2.04	0.41	2.44
25 Net Available after 1998 Debt Service	\$ 54,963	\$ (5,390)	\$ 49,573	\$ 10,969	\$ 60,543	\$ 23,875	\$ 84,418
26 1998 Ordinance Subordinate Bond Debt Ser	\$ 1,987		\$ 1,987		\$ 1,987		\$ 1,987
27 Debt Service Coverage Subordinate Bonds	27.66	(2.71)	24.95	5.52	30.47	12.02	42.49
28 Net Available To Service Aggregate Debt Serv	\$ 122,295	\$ (245)	\$ 122,050	\$ 10,969	\$ 133,020	\$ 23,875	\$ 156,895
29 Aggregate Debt Service	\$ 91,048	\$ 5,145	\$ 96,193	\$ -	\$ 96,193	\$ -	\$ 96,193
30 Fixed Coverage Charge	1.34	(0.07)	1.27	0.11	1.38	0.25	1.63

Note: 1 - See Attachment C - present rate adjustments
2 - See Attachment C - proposed rate adjustment

Attachment B

Philadelphia Gas Works Docket No. R-00061931
Operating Budget Adjustments Regarding
Operating Revenue and Expenses / Other Income / Interest Expense

- A. The \$6.5 million in additional revenues at present rates represents the additional customers that PGW has accepted as a reasonable adjustment based on the OTS' testimony.

- B. The \$3.396 million reduction in revenues reflects PGW's inclusion in pro forma revenues, those associated with PGW's Restructuring Charge in its original filing (JRB-1). As PGW is eliminating this separate surcharge, the revenues associated with the Restructuring Surcharge will no longer be billed and collected and thus should have been eliminated from test year revenues as a known and definite change.

- C. The \$4.546 million in higher natural gas costs reflects the added customer utilization for the previously mentioned adjustment to the customer count.

- D. The \$.5 million decrease in bad debt expense reflects the impact of the additional customers anticipated to be participants in PGW's CRP program, compared to the original assumption that these customers would be in the General Service category.

- E. The \$.24 million decrease reflects PGW's acceptance of OTS' and OCA's adjustments related to Authority (\$190,000) and Merger (\$50,000) expenses.

- F. The \$.46 million reduction reflects PGW's acceptance of the OTS' adjustment related to health insurance costs.

- G. The \$2.708 million increase in accrued long term debt interest reflects the inclusion of the costs associated with the recently completed \$200.0 million bond issue on an annualized basis. The original filing included a partial year impact and a \$150.0 million bond issue.

- H. The \$5.145 million increase in revenue bond debt service reflects the inclusion of an annualized payment associated with the recently completed \$200.0 million bond issue. The original filing included a partial year impact and a \$150.0 million bond issue.