

PHILADELPHIA GAS WORKS
GAS SERVICE TARIFF



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List of Changes Made by this Tariff Supplement

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Updated to reflect revised page numbers for each of the changes listed below on this page.

DISTRIBUTION SYSTEM IMPROVEMENT CHARGE (DSIC) (Page No. 151)

The DSIC rate effective October 1, 2016 increases from 7.5% to 8.84%, reflecting the Commission's July 6, 2016 Order at Docket No. P-2015-2501500.

DISTRIBUTION SYSTEM IMPROVEMENT CHARGE (DSIC) (Page No. 152)

In the Customer Safeguards section (section 4.A), the "Cap" section has been updated to reflect that the Commission's July 6, 2016 Order at Docket No. P-2015-2501500 permits the Utility to raise its DSIC rate above the stated cap to 8.84% for a two-year period to collect undercollections for the year ending December 31, 2015.

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DISTRIBUTION SYSTEM IMPROVEMENT CHARGE (DSIC)

In addition to the net charges provided for in this Tariff, for service rendered on or after October 1, 2016, a charge of 8.84% will apply consistent with the Commission Order dated May 9, 2013, at Docket No. P-2012-2337737 approving the DSIC and the Commission Orders dated January 28, 2016, and July 6, 2016, at Docket No. P-2015-2501500 modifying the terms and conditions of the DSIC.

(I)

1. General Description

A. Purpose: To recover the reasonable and prudent costs incurred to repair, improve, or replace eligible property which is completed and placed in service and recorded in the individual accounts, as noted below, between base rate cases and to provide the Utility with the resources to accelerate the replacement of aging infrastructure, to comply with evolving regulatory requirements. The costs of extending facilities to serve new customers are not recoverable through the DSIC.

B. Eligible Property: The DSIC-eligible property will consist of the following:

- Piping (account 376);
- Couplings (account 376);
- Gas services lines (account 380) and insulated and non-insulated fittings (account 378);
- Valves (account 376);
- Excess flow valves (account 376);
- Risers (account 376);
- Meter bars (account 382);
- Meters (account 381);
- Unreimbursed costs related to highway relocation projects where a natural gas distribution company or city natural gas distribution operation must relocate its facilities; and
- Other related capitalized costs.

C. Effective Date: The initial DSIC will become effective upon one (1) day notice after submission of a compliance tariff in compliance with commission order.

2. Computation of the DSIC

A. Calculation: The initial DSIC shall be calculated to recover the fixed costs of eligible plant additions that have not previously been reflected in the Utility's rates and have been or are projected to be placed in service in the calendar year in which the DSIC is charged. The DSIC charge shall be levelized so that, on an annual basis, it will collect the recoverable costs for eligible plant additions that have been or are anticipated to be placed in service during the calendar year. DSIC charges shall be reconciled and may be adjusted on a calendar quarter basis for: 1) actual experienced sales volumes; and 2) revisions to projected DSIC eligible capital expenditures.

(I) – Increase

The dates and types of changes in the DSIC rate will occur as follows:

Effective Date of Change	Rate Change That Will Occur
January 1	Annual levelized C-factor rate adjustments
April 1	Adjustment prior year over/under collection
July 1	Optional rate adjustment
October 1	Adjustment for +/- 2% over / under collection

B. Recoverable Costs: The recoverable costs shall be amounts reasonably expended or incurred to purchase and install eligible property and associated financing costs, if any, including debt service, debt service coverage, and issuance costs.

C. Application of DSIC: The DSIC will be expressed as a percentage carried to two decimal places and will be applied to the total amount billed to each customer for distribution service under the Utility's otherwise applicable rates and charges. To calculate the DSIC, the annual recoverable costs to be placed into service during the calendar year in which the DSIC is being charged will be divided by the Utility's projected revenues for distribution services (including all applicable clauses and riders) for the annual period during which the charge will be collected.

D. Formula: The formula for calculation of the DSIC is as follows:

$$DSIC = \frac{DSI + e}{PAR}$$

Where:

- DSI = The projected annual level of recoverable costs (defined in Section B. directly above)
- e = the amount calculated under the annual reconciliation feature or Commission audit, as described below.
- PAR = Projected annual revenues for distribution service (including all applicable clauses and riders) including any revenue from existing customers plus netted revenue from any customers which will be gained or lost by the beginning of the applicable service period.

3. Quarterly Updates: Supporting data for each quarterly update will be filed with the Commission and served upon the Commission's Bureau of Investigation and Enforcement, the Office of Consumer Advocate, the Office of Small Business Advocate and the Bureau of Audits at least ten (10) days prior to the effective date of the update.

4. Customer Safeguards

A. Cap: The DSIC is capped at 7.5% of the amount billed to customers for distribution service (including all applicable clauses and riders), inclusive of amounts billed for annual reconciliation pursuant to the "e" factor set forth above, as determined on an annualized basis. The Utility is permitted, by Commission Order dated July 6, 2016, at Docket No. P-2015-2501500, to temporarily increase its DSIC recovery rate to 8.84% for a period not to exceed two (2) years to allow for the recovery of an undercollection for the year ending December 31, 2015.

(C) - Change

(C)