



PHILADELPHIA GAS WORKS

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July 29, 2016

The Honorable Derek S. Green
Chairman
PHILADELPHIA GAS COMMISSION
One Parkway Building
1515 Arch Street, 9th Floor
Philadelphia, PA 19102

Re: Philadelphia Gas Works' Five-Year Forecast - FY 2018-2022

Dear Chairman Green:

Enclosed is an original along with six (6) copies of PGW's Five-Year Forecast for the fiscal periods 2018 through 2022. PGW's Forecast was reviewed by the PFMC Board at a board meeting held on July 27, 2016. The resolution approving the submission of PGW's Forecast is also included with this filing. The Finance Director's letter will be provided as soon as it is available.

Please feel free to call me if you have any questions regarding the enclosed forecast.

Very truly yours,

A handwritten signature in blue ink, reading "Joseph F. Golden, Jr.", is written below the typed name.

JFG/mlo'b
Enclosure

cc: Service List

PHILADELPHIA GAS WORKS

PROPOSED

FISCAL YEAR 2017 OPERATING BUDGET

& FIVE-YEAR FORECAST

Fiscal Years 2018 - 2022



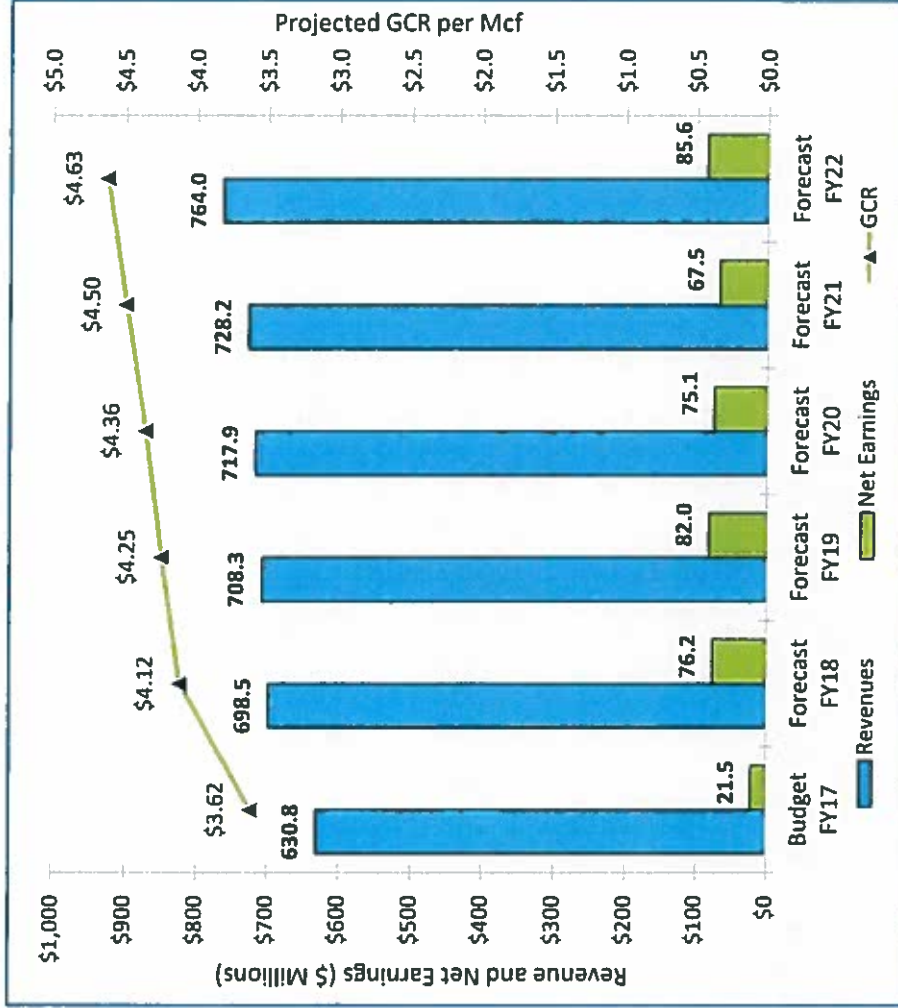
PHILADELPHIA GAS WORKS FISCAL YEAR 2017 OPERATING BUDGET & FIVE-YEAR FORECAST

FY17 - FY22 Total Revenue, Net Earnings and GCR @ August 31

Business Assumptions

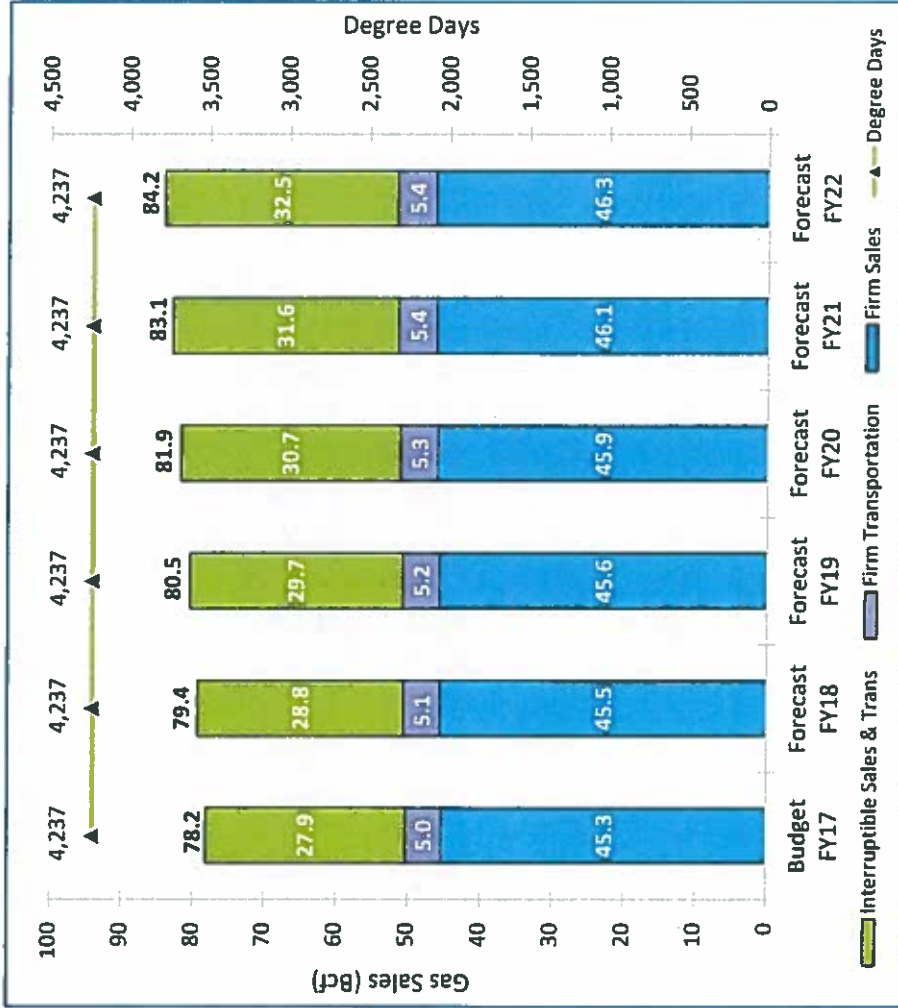
- Current base rates are in effect throughout the FY 2017 forecasted period.
- Proposed \$40.0 million rate increase is projected to be in effect in the FY 2018 through FY 2021 forecasted periods.
- Additional proposed \$25.0 million rate increase is projected to be in effect in the FY 2022 forecasted period.
- WNA surcharge is projected to be \$6.0 million in FY 2017 and will reset in FY 2018 with the proposed rate increase.
- DSIC Revenue based on incremental capital spending:
 - FY 2017 = \$32.5 million
 - FY 2018 = \$32.4 million
 - FY 2019 = \$32.8 million
- DSM or Energy Sense Program surcharge is in place through August 31, 2022.
- LNG sales forecast for the six-year period is as follows:

Interruptible LNG Sales / Revenue / Margin (\$000)			
	Mcf	Revenue	Margin / Total
FY 2017	1,000	\$4,130	\$3,680 / \$7,810
FY 2018	1,000	\$4,224	\$3,680 / \$7,904
FY 2019	1,000	\$4,292	\$3,680 / \$7,972
FY 2020	1,000	\$4,353	\$3,680 / \$8,033
FY 2021	1,000	\$4,430	\$3,680 / \$8,110
FY 2022	1,000	\$4,542	\$3,680 / \$8,222



PHILADELPHIA GAS WORKS FISCAL YEAR 2017 OPERATING BUDGET & FIVE-YEAR FORECAST

FY17 - FY22 Gas Sales By Category and Degree Days



Business Assumptions

• Sales forecast (net) utilized for the six-year period is as follows:

	Billed Gas Revenues (\$000's)			Total
	Firm	Interrupt	Transport	
FY 2017	\$572,663	\$4,202	\$46,023	\$622,888
FY 2018	\$624,510	\$4,302	\$46,771	\$675,583
FY 2019	\$632,813	\$4,372	\$48,415	\$685,600
FY 2020	\$640,800	\$4,435	\$49,798	\$695,033
FY 2021	\$649,505	\$4,515	\$51,099	\$705,119
FY 2022	\$683,706	\$4,629	\$52,332	\$740,667

• Firm Non-Heating sales are anticipated to decrease by approximately 0.1 Bcf each year of the forecasted period; however, Firm Heating Sales are anticipated to increase by approximately 0.3 Bcf each year of the forecasted period and is based on the following:

- Commercial customers are projected to increase utilization by 0.2 Bcf annually;
- CRP customers are projected to increase by 10,000. Their high usage accounts for a 0.2 Bcf annual increase in residential sales;
- These increases were offset by an approximate 0.1 Bcf decrease in sales resulting from conservation.

- Firm Transportation volumes are anticipated to increase by 0.1 Bcf or 2% each year of the forecasted period.
- Interruptible transportation is expected to increase by 1.0 Bcf or 3% each year of the forecasted period.



PHILADELPHIA GAS WORKS FISCAL YEAR 2017 OPERATING BUDGET & FIVE-YEAR FORECAST

FY17 - FY22 Gas Costs and Contribution Margin

Business Assumptions

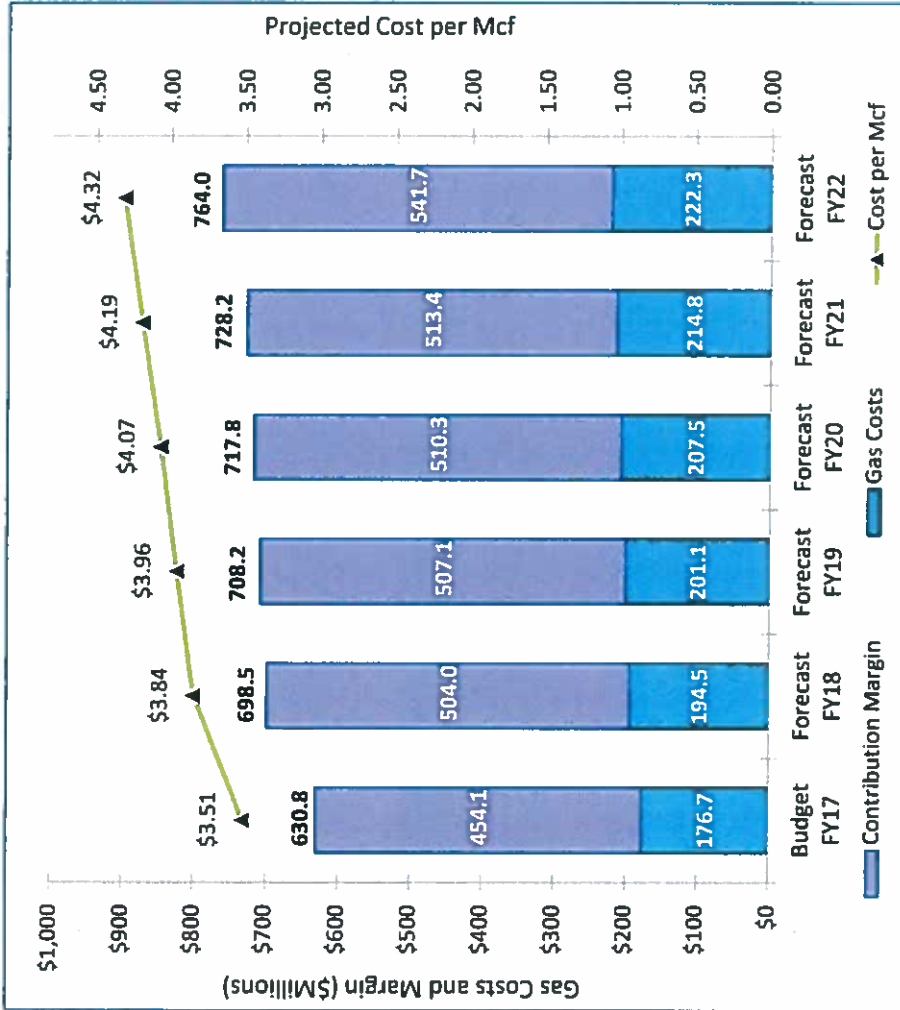
- 4,237 Degree Day basis of normal weather utilized for sales and utilization projections.

Gas Costs / Margin (\$ Millions)		
	Mcf	Margin
FY 2017	50,278	\$454.1
FY 2018	50,586	\$504.0
FY 2019	50,792	\$507.1
FY 2020	50,998	\$510.3
FY 2021	51,224	\$513.4
FY 2022	51,486	\$541.7

- Average cost per Mcf is anticipated to range from \$3.51 in FY 2017 to \$4.32 in FY 2022

Average Cost of Natural Gas		
	\$ Per Mcf	Incr./ (Decr.)
FY 2017	\$3.5145	-\$0.0141
FY 2018	\$3.8449	\$0.3305
FY 2019	\$3.9593	\$0.1143
FY 2020	\$4.0688	\$0.1095
FY 2021	\$4.1933	\$0.1246
FY 2022	\$4.3177	\$0.1243

- Contribution margin increases in the FY 2018 and FY 2022 forecasted periods reflecting a \$40.0 million and \$25.0 million rate increase, respectively.

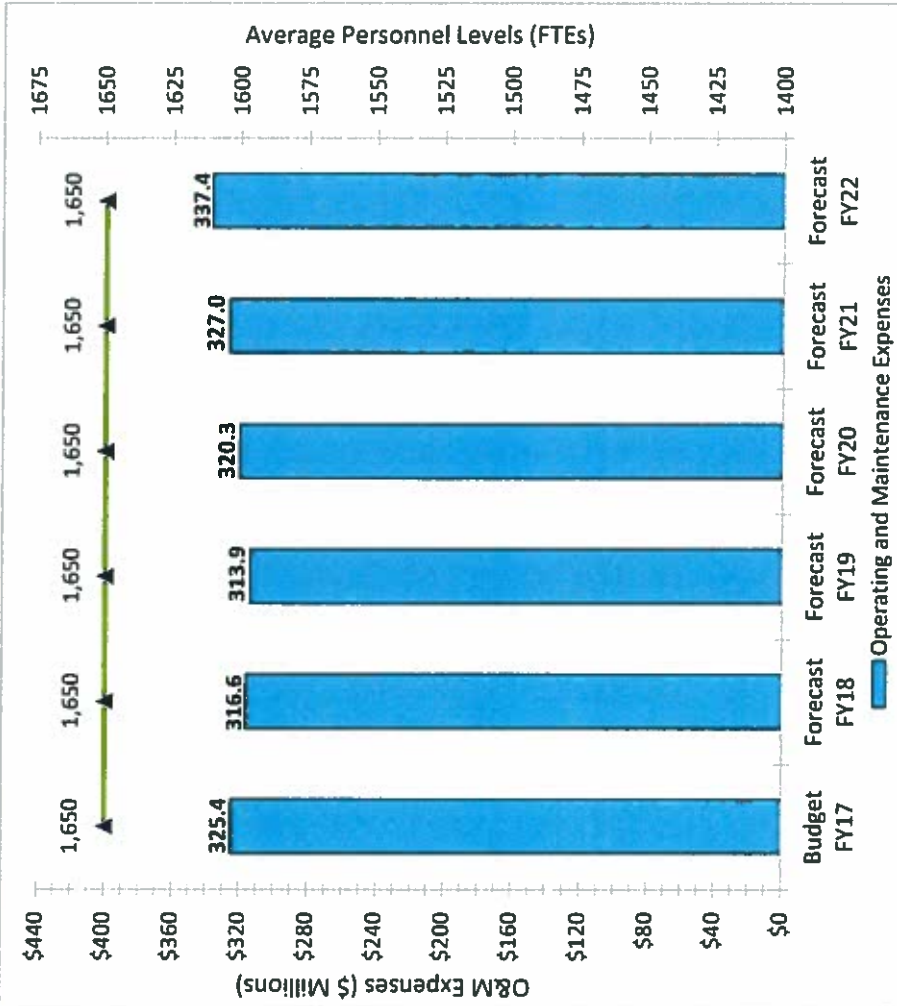


PHILADELPHIA GAS WORKS FISCAL YEAR 2017 OPERATING BUDGET & FIVE-YEAR FORECAST

FY17 - FY22 Operating and Maintenance Expenses (O&M)

Business Assumptions

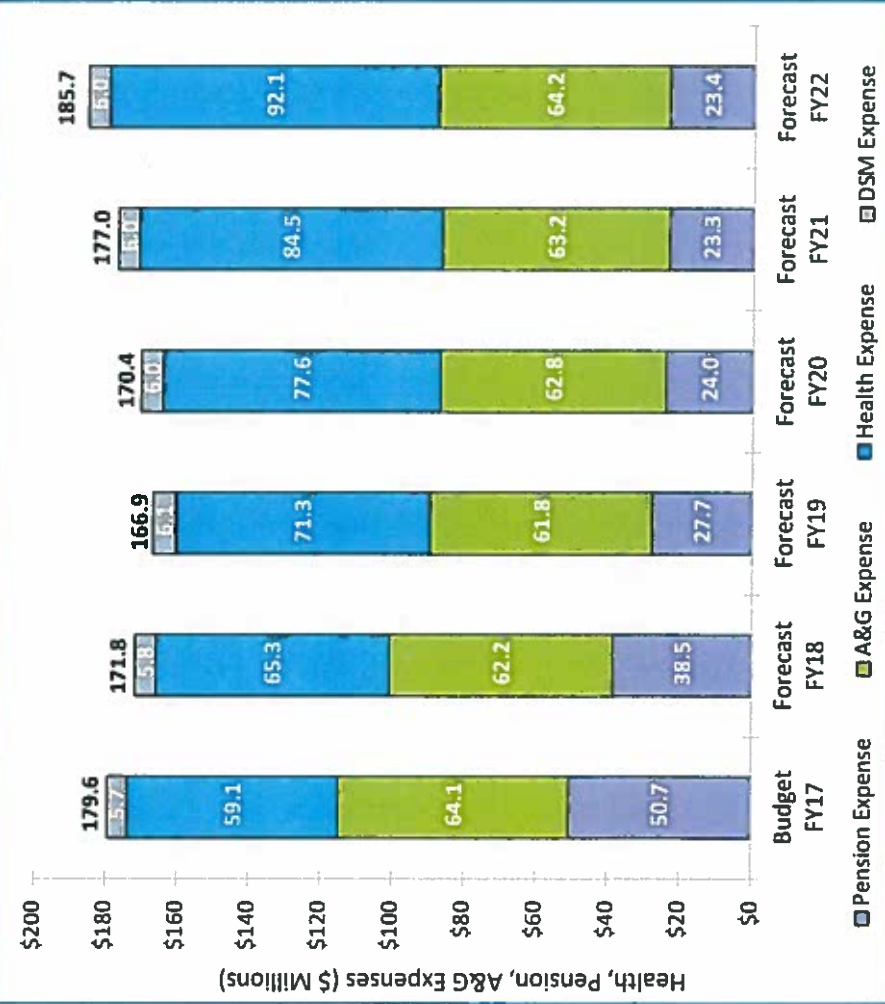
- Operating and maintenance expenses are net of depreciation.
- Personnel levels are expected to remain constant at 1,650 throughout the FY 2022 forecasted period.
- DSM or Energy Sense Program surcharge is in place through August 31, 2022.
- General inflation rates of 2.0% were utilized throughout the forecast period absent any specific departmental information regarding expenses, i.e. health insurance.
- Property & Public Liability Insurance premiums forecasted to rise by 2.5% annually.
- Collection factor projected at 96.0% of billed revenues in FY 2017 and throughout the forecasted period.



PHILADELPHIA GAS WORKS FISCAL YEAR 2017 OPERATING BUDGET & FIVE-YEAR FORECAST

FY17 - FY22 Health, Pension and A&G Expenses

Business Assumptions



• Pension expenses were calculated based on the actuarial report prepared by PGW's actuarial consultant dated July 1, 2015. The assumed earnings rate was 7.65%.

	Pension Expense (\$000's)		
	Required	Additional	Total
FY 2017	\$24,075	\$2,056	\$24,593
FY 2018	\$24,095	\$2,463	\$11,905
FY 2019	\$23,919	\$2,466	\$1,345
FY 2020	\$23,826	\$2,452	(\$2,279)
FY 2021	\$23,641	\$2,455	(\$2,809)
FY 2022	\$23,329	\$2,454	(\$2,361)
			\$50,724
			\$38,463
			\$27,730
			\$23,999
			\$23,287
			\$23,422

- General inflation rate of 2.0% was utilized throughout the forecast period absent any specific departmental information regarding expenses, i.e. health insurance premiums.
- Health insurance premiums were projected to increase by approximately 9.0% over the forecasted period based on information provided by PGW's healthcare consultant.

	Health Insurance Premiums (\$000's)		
	Active	Retiree	Total
FY 2017	\$28,139	\$30,971	\$59,110
FY 2018	\$30,810	\$34,449	\$65,259
FY 2019	\$33,641	\$37,659	\$71,300
FY 2020	\$36,627	\$41,010	\$77,637
FY 2021	\$39,880	\$44,661	\$84,541
FY 2022	\$43,424	\$48,640	\$92,064



PHILADELPHIA GAS WORKS FISCAL YEAR 2017 OPERATING BUDGET & FIVE-YEAR FORECAST

FY17 - FY22 Year End Cash Balance and Coverage Ratio

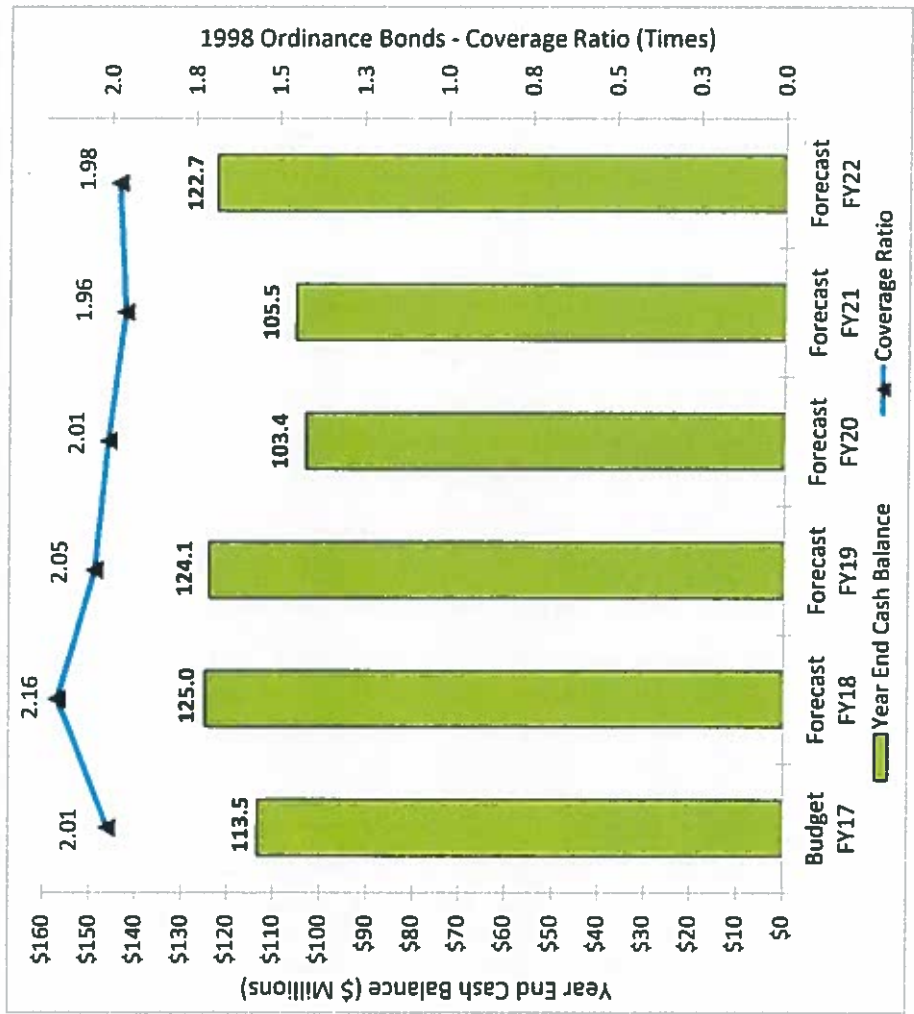
Business Assumptions

- Interest earning rates on temporary investments and restricted funds assumed at or below 1.0%.
- City of Philadelphia \$18.0 million payment made throughout the forecasted period.
- In FY 2020, PGW projects to defease approximately \$10.0 million of debt service payments payable in FY 2021.
- Debt Service Coverage Ratios were forecasted at the following levels:

	Coverage Rates (Times)	
	1998	w/City Fee
FY 2017	2.01	1.79
FY 2018	2.16	1.97
FY 2019	2.05	1.87
FY 2020	2.01	1.83
FY 2021	1.96	1.78
FY 2022	1.98	1.81

- Commercial Paper Program outstanding level and cash balance assumptions at 8/31:

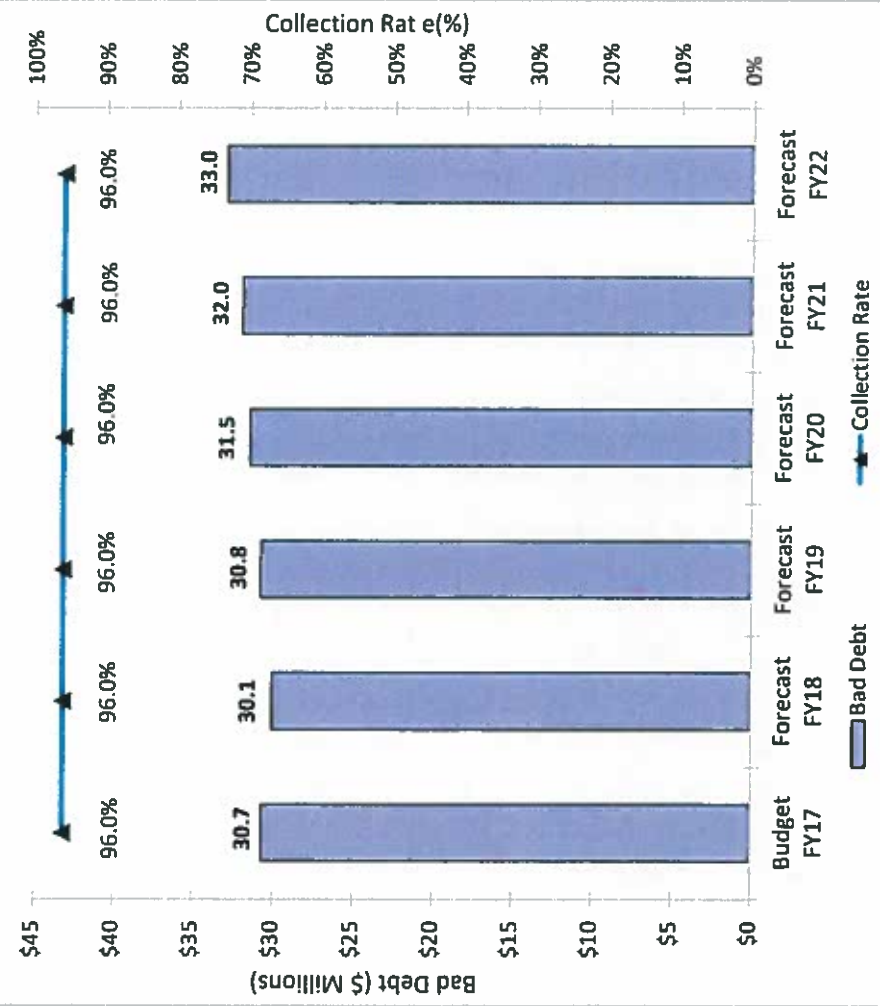
	TXCP / Liquidity (\$ Millions)		
	Maximum	Available	Cash
FY 2017	\$120.0	\$120.0	\$113.5
FY 2018	\$120.0	\$120.0	\$125.0
FY 2019	\$120.0	\$120.0	\$124.1
FY 2020	\$120.0	\$120.0	\$103.4
FY 2021	\$120.0	\$120.0	\$105.5
FY 2022	\$120.0	\$120.0	\$122.7



PHILADELPHIA GAS WORKS FISCAL YEAR 2017 OPERATING BUDGET & FIVE-YEAR FORECAST

FY17 - FY22 Collection Rate and Bad Debt

Business Assumptions



- Rolling 24-month collection factor is projected at 96.0% of billed revenues in FY 2017 and throughout the forecasted periods.

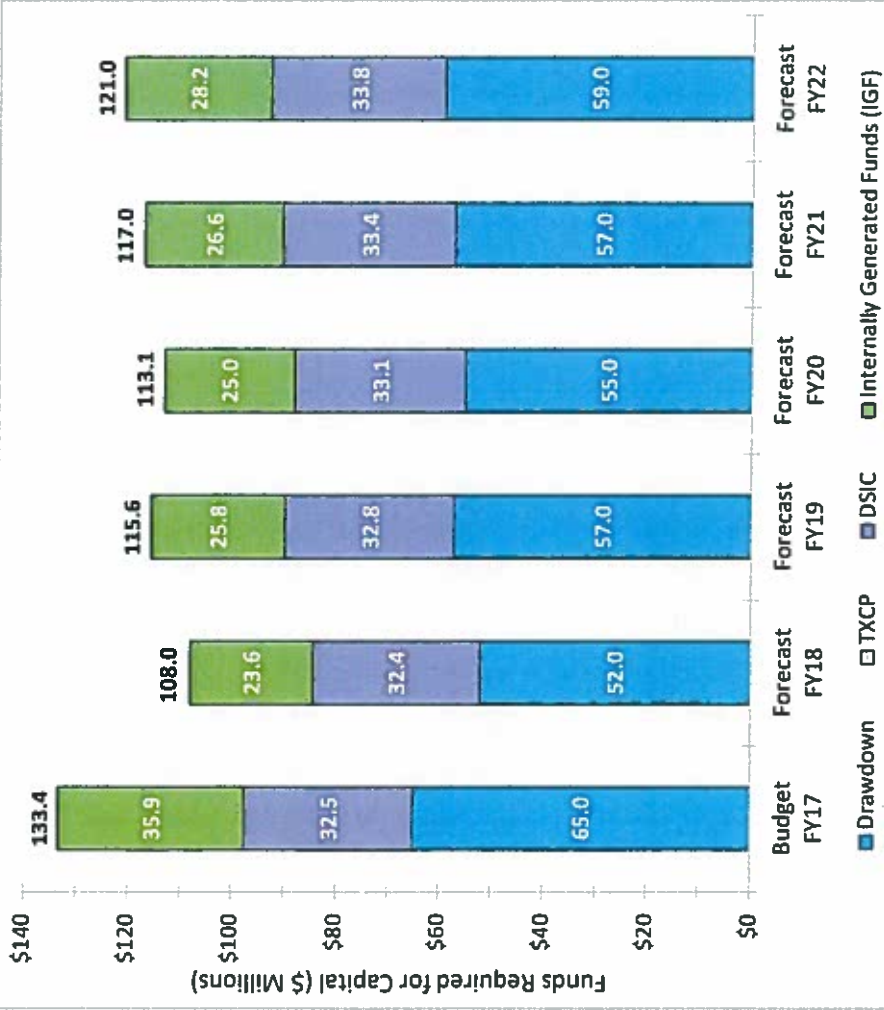
	Ending Balances @ 8/31 (\$'000's)			
	A/R Balance	Bad Debt	Billed Gas Rev. (BGR)	Bad Debt % of BGR
FY 2017	\$149,534	\$30,654	\$622,888	4.92%
FY 2018	\$123,970	\$30,078	\$675,583	4.45%
FY 2019	\$120,123	\$30,801	\$685,600	4.49%
FY 2020	\$116,691	\$31,544	\$695,033	4.54%
FY 2021	\$112,655	\$32,032	\$705,119	4.54%
FY 2022	\$108,961	\$33,145	\$740,667	4.48%



PHILADELPHIA GAS WORKS FISCAL YEAR 2017 OPERATING BUDGET & FIVE-YEAR FORECAST

FY17 - FY22 Funds Required for Capital Expenditures

Business Assumptions



- Capital Spending and the funding sources are forecasted at the following levels:

	Capital Funding Sources (\$000's)			IGF + DSIC Funding
	Capital Spending	CIF Draw	TXCP Draw	
FY 2017	\$133,415	\$65,000	-	\$68,415
FY 2018	\$108,020	\$52,000	-	\$56,020
FY 2019	\$115,628	\$57,000	-	\$58,628
FY 2020	\$113,149	\$55,000	-	\$58,149
FY 2021	\$117,009	\$57,000	-	\$60,009
FY 2022	\$120,996	\$59,000	-	\$61,996

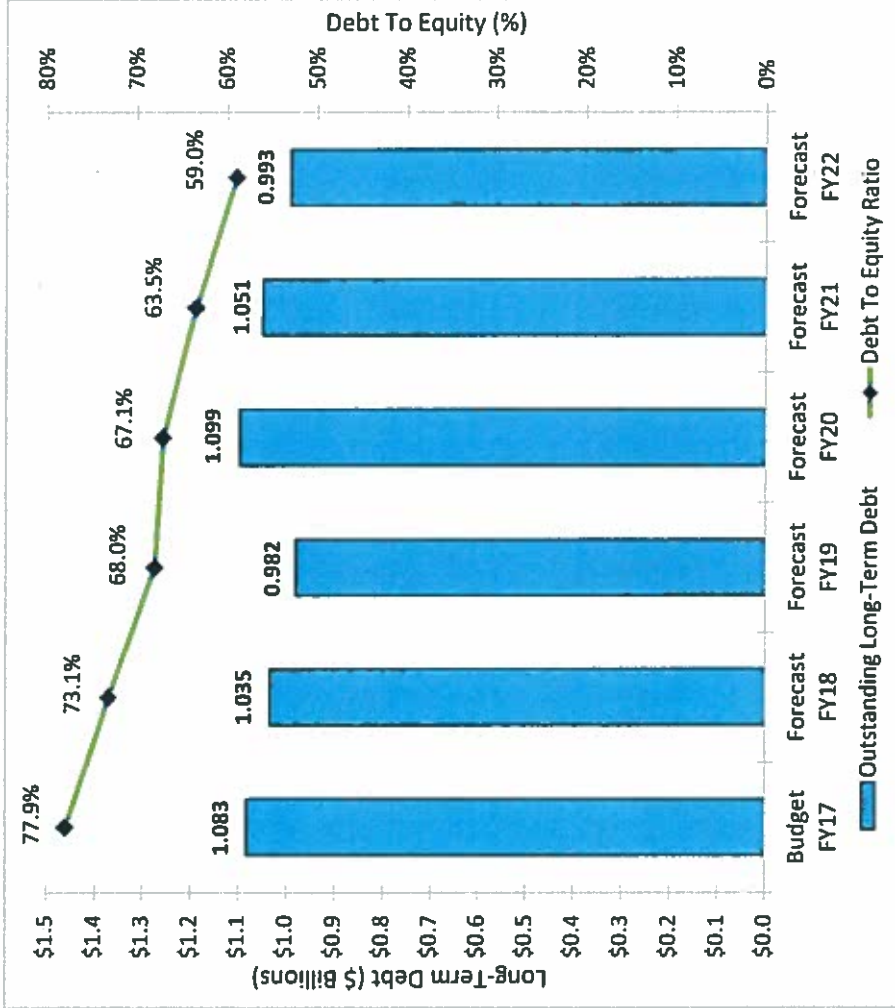
- \$270.0 million long-term debt financing issued in March 2017 to support capital expenditures and reduce \$71.0 million of outstanding TXCP - Capital.
- \$180.0 million long-term debt financing issued in March 2020 to support capital expenditures.

	Capital Improvement Fund Balance (\$000's)
FY 2017	\$113,603 includes \$270.0 million new bond
FY 2018	\$61,864
FY 2019	\$4,742
FY 2020	\$117,435 includes \$180.0 million new bond
FY 2021	\$60,431
FY 2022	\$1,295



PHILADELPHIA GAS WORKS FISCAL YEAR 2017 OPERATING BUDGET & FIVE-YEAR FORECAST

FY17 - FY22 Long-Term Debt and Debt To Equity Ratio



Business Assumptions

- Debt Ratios & City Equity:

	Long-Term Debt and City Equity (\$ Millions)			
	% Debt to Equity	Long-Term Debt	Capitalization	City Equity
FY 2017	77.9%	\$1,130	\$1,451	\$321
FY 2018	73.1%	\$1,077	\$1,474	\$397
FY 2019	68.0%	\$1,019	\$1,498	\$479
FY 2020	67.1%	\$1,131	\$1,685	\$554
FY 2021	63.5%	\$1,079	\$1,701	\$622
FY 2022	59.0%	\$1,017	\$1,724	\$707

- Long-Term Debt provided in the aforementioned table includes both unamortized Discount and Premium.
- In FY 2015, the Company retrospectively adopted a new accounting standard, GASB 68. The adoption of this standard resulted in a \$147.3 million decrease in City Equity beginning in FY 2013.

	Long-Term Debt per Customer		
	Avg. # of Customers	LTD (\$ Millions)	TXCP (\$ Millions)
FY 2017	501,804	\$1,130	-
FY 2018	502,350	\$1,077	-
FY 2019	502,893	\$1,019	-
FY 2020	503,428	\$1,131	-
FY 2021	503,964	\$1,079	-
FY 2022	504,497	\$1,017	-



**PHILADELPHIA GAS WORKS
STATEMENT OF INCOME**
(Dollars in Thousands)

LINE NO.	OPERATING REVENUES	ACTUAL 2014-15	REVISED COMPLIANCE 2015-16	ESTIMATE 2015-16	BUDGET 2016-17	FORECAST 2017-18	FORECAST 2018-19	FORECAST 2019-20	FORECAST 2020-21	FORECAST 2021-22	INCREASE / (DECREASE) ESTIMATE 2016 VS. ACTUAL 2015		INCREASE / (DECREASE) BUDGET 2017 VS. ESTIMATE 2016	
											AMOUNT	%	AMOUNT	%
1.	Non-Heating	\$ 30,753	\$ 26,431	\$ 23,683	\$ 26,732	\$ 26,071	\$ 25,231	\$ 25,231	\$ 24,442	\$ 3,039	(23.0)	\$ 7,000	12.8	
2.	Gas Transport Service	39,562	43,872	37,243	45,674	46,771	48,415	49,798	51,099	52,332	(6.8)	8,431	22.6	
3.	Heating	618,164	578,682	473,195	530,631	562,215	571,132	579,980	589,543	599,892	(23.5)	57,436	12.1	
4.	Revenue Enhancement / Cost Reduction					40,000	40,000	40,000	40,000	65,000				
5.	Weather Normalization Adjustment	(10,747)	5,952	37,355	5,905	-	-	-	-	-				
6.	Unbilled Adjustment	(2,105)	(1,961)	(1,071)	(51)	283	99	77	119	104	(447.6)	(31,450)	(84.2)	
7.	Total Gas Revenues	676,027	654,741	571,379	608,681	676,149	685,717	695,086	705,203	740,734	(94.9)	56	(52.3)	
8.	Appliance Repair & Other Revenues	8,727	8,431	7,908	8,914	9,184	9,053	9,184	9,276	9,369	(15.5)	37,512	6.6	
9.	Other Operating Revenues	12,493	11,616	9,478	13,023	13,303	13,454	13,596	13,747	13,985	(14.0)	1,406	18.7	
10.	Total Other Operating Revenues	21,220	20,047	16,986	21,937	22,306	22,947	22,780	23,023	23,274	(24.1)	3,545	37.4	
11.	Total Operating Revenues	697,247	674,788	588,365	630,628	698,455	708,264	717,866	728,226	764,008	(20.0)	4,951	29.1	
	OPERATING EXPENSES										(108,882)	42,463	7.2	
12.	Natural Gas	252,158	220,657	145,214	176,731	194,457	201,101	207,507	214,781	222,348	(106,944)	31,517	21.7	
13.	Other Raw Material	11	10	10	10	10	10	10	10	10	(1)	0	-	
14.	Sub-Total Fuel	252,169	220,667	145,224	176,741	194,467	201,111	207,517	214,791	222,358	(106,945)	31,517	21.7	
15.	CONTRIBUTION MARGINS	445,078	453,921	443,141	454,087	503,988	507,153	510,349	513,435	541,650	(1,937)	10,946	2.5	
16.	Gas Processing	18,180	15,853	17,229	17,666	17,821	17,837	18,216	18,457	18,957	(951)	437	2.5	
17.	Field Services	36,874	38,378	36,570	39,369	40,340	41,299	42,096	42,611	43,456	(304)	2,799	7.7	
18.	Distribution	38,629	38,429	38,525	42,154	42,562	43,528	44,358	44,925	45,824	(104)	3,629	9.4	
19.	Collection	3,457	3,496	3,224	4,420	4,420	4,519	4,609	4,651	4,695	(233)	1,130	35.0	
20.	Customer Service	12,262	13,011	12,583	13,503	13,807	14,126	14,408	14,627	14,919	321	2.6	920	7.3
21.	Account Management	7,235	8,298	7,833	8,389	8,487	8,671	8,844	8,977	9,157	98	1.3	566	7.2
22.	Bad Debt Expense	34,833	35,216	29,400	30,654	30,078	30,801	31,544	32,032	33,145	(5,433)	1,254	4.3	
23.	Marketing	6,956	4,287	3,973	4,355	4,439	4,538	4,625	4,694	4,765	(2,983)	4,785	9.6	
24.	Administrative & General	49,516	58,771	58,023	64,142	62,227	61,782	62,839	63,195	64,272	(8,507)	362	0.6	
25.	Energy Sense Program (DSM)	10,737	10,692	9,769	9,709	5,807	6,078	6,023	6,023	6,023	(978)	8,057	17.2	
26.	Health Insurance	51,051	56,409	53,794	58,110	65,259	71,300	77,637	84,541	92,064	(9,1)	(4,090)	(41.5)	
27.	Environmental						2,045	1,686	927	997	2,743	5.4	5,316	9.9
28.	Capitalized Fringe Benefits	(8,860)	(10,838)	(10,653)	(11,537)	(11,620)	(12,238)	(12,937)	(13,744)	(14,613)	(1,793)	20.2	(884)	8.3
29.	Capitalized Administrative Charges	(9,097)	(12,285)	(11,267)	(15,791)	(12,945)	(13,738)	(14,409)	(15,032)	(15,578)	(2,170)	23.9	(4,524)	40.2
30.	Pensions	43,748	49,092	50,352	50,724	38,463	27,730	23,999	23,287	23,422	6,604	15.1	372	0.7
31.	Taxes	7,823	7,875	7,747	8,242	8,347	8,647	8,821	8,997	9,177	(76)	(1.0)	485	6.3
32.	Other Post Employment Benefits	6,726	5,445	11,341	7,208	2,311	3,008	-	-	-	4,615	68.6	(4,133)	(36.4)
33.	Cost/Labor Savings		(3,142)		(2,862)	(2,934)	(3,008)	(3,068)	(3,129)	(3,192)	-	-	(2,862)	-
34.	Sub-Total Other Operating & Maintenance	310,570	318,897	318,433	325,389	316,569	313,917	320,301	327,039	337,409	7,863	2.5	6,956	2.2
35.	Depreciation	46,474	46,654	47,231	48,942	50,596	54,244	56,019	57,827	59,634	757	1.6	1,611	3.4
36.	Cost of Removal	2,897	2,600	3,250	4,100	4,100	4,100	4,100	4,100	4,100	353	12.2	850	26.2
37.	To Clearing Accounts	(5,584)	(6,231)	(6,061)	(7,516)	(7,516)	(7,516)	(7,516)	(7,516)	(7,516)	(477)	8.5	(7,101)	11.7
38.	Net Depreciation	43,187	43,023	44,420	46,171	47,180	48,974	50,765	52,900	54,741	633	1.4	1,751	3.9
39.	Sub-Total Other Operating Expenses	354,357	361,920	362,853	371,560	363,749	362,891	371,066	379,939	392,150	8,456	2.4	8,707	2.4
40.	TOTAL OPERATING EXPENSES	606,526	582,787	508,077	546,301	559,216	564,002	578,583	594,730	614,508	(98,449)	40,224	7.9	
41.	OPERATING INCOME	90,721	92,001	80,288	144,262	139,283	144,262	139,283	133,496	149,500	(10,433)	(11.5)	2,239	2.8
42.	Interest Gain / (Loss) and Other Income	3,784	3,690	3,726	2,893	3,072	2,726	2,922	3,334	3,334	(2,360)	(62.4)	1,469	103.2
43.	INCOME BEFORE INTEREST	94,505	95,691	84,014	147,155	142,355	146,988	142,205	136,830	152,833	(12,793)	(13.5)	3,708	4.5
44.	Long-Term Debt	45,756	42,249	37,640	42,582	49,577	47,426	49,467	51,614	49,041	(8,116)	(17.7)	4,942	13.1
45.	Other	7,448	1,311	1,430	690	(2,928)	(2,610)	(2,240)	(1,896)	(1,514)	(6,018)	(80.8)	(740)	(51.7)
46.	AFUDC	4,100	(891)	(843)	(1,136)	(920)	(985)	(964)	(997)	(1,030)	(62)	7.9	(293)	34.8
47.	Loss From Extinguishment of Debt	56,523	47,483	42,394	45,912	49,112	46,955	49,104	51,305	48,799	67	1.6	(391)	(9.4)
48.	Total Interest	37,982	48,208	39,318	39,308	94,199	100,033	93,101	95,305	93,534	(14,129)	(25.0)	3,518	8.3
49.	NET INCOME	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000	1,336	3.5	190	0.5
50.	City Payment	19,982	30,208	21,318	21,508	78,199	82,033	75,101	67,525	85,634	1,336	6.7	190	0.9
51.	NET EARNINGS													

PHILADELPHIA GAS WORKS
CASH FLOW STATEMENT
(Dollars in Thousands)

LINE NO.	SOURCES	ACTUAL 2014-15	REVISED COMPLIANCE 2015-16	ESTIMATE 2015-16	BUDGET 2016-17	FORECAST 2017-18	FORECAST 2018-19	FORECAST 2019-20	FORECAST 2020-21	FORECAST 2021-22	INCREASE / (DECREASE)		LINE NO.
											ESTIMATE 2016 VS. ACTUAL 2015	BUDGET 2017 VS. ESTIMATE 2016	
											AMOUNT	%	
1.	Net Income	\$ 37,982	\$ 48,208	\$ 39,318	\$ 39,508	\$ 94,199	\$ 100,033	\$ 93,101	\$ 85,525	\$ 103,634	\$ 1,336	3.5	1.
2.	Depreciation & Amortization	53,258	46,734	46,892	47,493	48,682	50,579	52,472	54,332	56,239	(6,366)	(12.0)	2.
3.	Earnings on Restricted Funds Withdrawal(No Withdrawal)	7,051	(1,098)	(610)	(1,704)	(1,366)	(1,000)	(1,176)	(1,267)	(1,148)	(7,661)	(108.7)	3.
4.	Proceeds from Bond Refunding to Pay Cost of Issuance	-	-	250	2,700	-	500	-	-	-	250	100.0	4.
5.	Increased/(Decreased) Other Assets/Liabilities	23,696	13,068	19,378	13,759	(8,510)	(20,610)	(29,093)	(12,482)	(3,787)	(4,318)	(18.2)	5.
6.	Available From Operations	121,987	106,912	105,228	101,756	133,005	129,002	115,804	126,108	154,938	(16,759)	(13.7)	6.
7.	Drawdown of Bond Proceeds	-	-	-	65,000	52,000	57,000	55,000	57,000	59,000	-	100.0	7.
8.	Grant Income	-	-	-	-	-	-	-	-	-	-	-	8.
9.	Lease Funds Debt Service	-	-	-	-	-	-	-	-	-	-	-	9.
10.	Capitalized Interest	-	-	-	-	-	-	-	-	-	-	-	10.
11.	Release of Restricted Fund Asset	8,562	-	3,223	-	-	-	-	-	-	(5,339)	(62.4)	11.
12.	Release of Bond Proceeds to Pay Temporary Financing	-	-	-	71,000	-	-	-	-	-	11,000	36.7	12.
13.	Temporary Financing	30,000	48,600	41,000	237,756	165,005	166,002	170,604	183,108	213,938	(11,086)	(6.9)	13.
14.	TOTAL SOURCES	160,549	155,512	149,451	237,756	165,005	166,002	170,604	183,108	213,938	(11,086)	(6.9)	14.
15.	USES												15.
16.	Net Construction Expenditures	85,499	110,752	96,983	133,415	108,020	115,628	113,149	117,009	120,996	13,484	15.8	16.
17.	Funded Debt Reduction:	13,503	-	-	-	-	-	-	-	-	(13,503)	(100.0)	17.
18.	Revenue Bonds	62,190	48,655	38,215	44,740	47,759	52,812	63,755	47,349	58,464	(23,975)	(38.6)	18.
19.	Temporary Financing Repayment	-	-	-	71,000	-	-	-	-	-	-	100.0	19.
20.	Distribution of Earnings	18,000	18,000	16,000	18,000	18,000	18,000	18,000	18,000	18,000	-	-	20.
	Non-Cash Working Capital	(27,236)	(14,687)	(2,321)	(31,987)	(279)	478	(3,467)	(1,323)	(680)	24,915	(91.5)	21.
21.	Cash Needs	151,956	162,720	152,877	235,169	173,500	186,918	191,437	181,035	196,780	921	0.6	22.
22.	Cash Surplus (Shortfall)	8,593	(7,208)	(3,426)	2,589	11,505	(916)	(20,633)	2,073	17,158	(12,019)	(139.9)	23.
23.	TOTAL USES	160,549	155,512	149,451	237,756	165,005	166,002	170,604	183,108	213,938	(11,098)	(6.9)	24.
24.	Cash - Beginning of Period	105,734	106,136	114,327	110,901	113,489	124,994	124,078	103,445	105,518	8,593	8.1	25.
25.	Cash - Surplus (Shortfall)	8,593	(7,208)	(3,426)	2,589	11,505	(916)	(20,633)	2,073	17,158	(12,019)	(139.9)	26.
26.	ENDING CASH	\$ 114,327	\$ 98,928	\$ 110,901	\$ 113,489	\$ 124,994	\$ 124,078	\$ 103,445	\$ 105,518	\$ 122,677	\$ (3,426)	(3.0)	27.
27.	Outstanding Commercial Paper	-	-	-	-	-	-	-	-	-	-	-	28.
28.	Outstanding Commercial Paper - Capital	30,000	78,600	71,000	32,410	32,410	32,751	33,069	33,424	33,776	(30,000)	(100.0)	29.
29.	DSIC Revenue	13,764	27,116	22,518	35,874	23,610	25,877	25,060	26,585	28,220	16,777	136.4	30.
30.	Internally Generated Funds	31,735	35,036	35,465	68,415	56,020	58,628	56,149	60,009	61,996	10,023	44.5	31.
31.	TOTAL IGF + Incremental DSIC Revenue	45,489	62,152	57,983	68,415	56,020	58,628	56,149	60,009	61,996	22,916	50.4	32.
											10,432	18.0	
											(29,666)	(1,278.2)	
											82,291	53.8	
											6,014	(175.5)	
											88,305	59.1	
											(3,426)	(3.0)	
											6,014	(175.5)	
											\$ 2,588	2.3	
											(71,000)	(100.0)	
											10,023	44.5	
											409	1.2	
											10,432	18.0	

PHILADELPHIA GAS WORKS
DEBT SERVICE COVERAGE
(Dollars In Thousands)

LINE NO.	FUNDS PROVIDED	ACTUAL 2014-15	REVISED COMPLIANCE 2015-16	ESTIMATE 2015-16	BUDGET 2015-17	FORECAST 2017-18	FORECAST 2018-19	FORECAST 2019-20	FORECAST 2020-21	FORECAST 2021-22	INCREASE / (DECREASE) ESTIMATE 2016 VS. BUDGET 2017 VS.		LINE NO.
											AMOUNT	%	
1.	Total Gas Revenues	\$ 676,027	\$ 654,741	\$ 571,379	\$ 608,891	\$ 676,149	\$ 685,717	\$ 695,086	\$ 705,203	\$ 740,734	\$ 37,512	(15.5)	6.6
2.	Other Operating Revenues	21,220	20,047	16,986	21,937	22,306	22,547	22,780	23,023	23,274	4,951	(20.0)	29.1
3.	Total Operating Revenues	697,247	674,788	588,365	630,828	698,455	708,264	717,866	728,226	764,008	42,463	(15.6)	7.2
4.	Other Income Incr. / (Decr.) Restricted Funds	10,835	2,592	814	1,189	1,706	1,726	1,746	2,067	1,785	375	(92.5)	46.1
5.	City Grant	-	-	-	-	-	-	-	-	-	-	-	-
6.	AFUDC (Interest)	781	891	843	1,136	920	985	964	997	1,030	253	7.9	34.8
7.	TOTAL FUNDS PROVIDED	708,863	678,271	590,022	633,153	701,081	710,975	720,576	731,290	766,823	43,131	(16.8)	7.3
8.	FUNDS APPLIED												
9.	Fuel Costs	252,169	220,867	145,224	176,741	194,467	201,111	207,517	214,791	222,358	31,517	(42.4)	21.7
10.	Other Operating Costs	354,357	361,920	362,853	371,560	363,749	362,891	371,066	379,939	392,150	8,707	2.4	2.4
11.	Total Operating Expenses	606,526	582,787	508,077	548,301	558,216	564,002	578,583	594,730	614,508	40,224	(16.2)	7.9
12.	Less: Non-Cash Expenses	74,535	75,320	78,966	80,727	67,546	58,861	57,080	58,406	60,706	1,761	5.9	2.2
13.	TOTAL FUNDS APPLIED	531,991	507,467	429,111	467,574	490,670	505,141	521,503	536,324	553,802	38,463	(19.3)	9.0
14.	Funds Available to Cover Debt Service	176,872	170,804	160,911	165,579	210,411	205,834	199,073	194,966	213,021	4,668	(9.0)	2.9
15.	1975 Ordinance Bonds Debt Service	26,904	-	-	-	-	-	-	-	-	-	(100.0)	-
16.	Debt Service Coverage 1975 Bonds	149,968	170,804	160,911	165,579	210,411	205,834	199,073	194,966	213,021	4,668	7.3	2.9
17.	Net Available after Prior Debt Service	-	-	-	-	-	-	-	-	-	-	-	-
18.	Equipment Leasing Debt Service	149,968	170,804	160,911	165,579	210,411	205,834	199,073	194,966	213,021	4,668	7.3	2.9
19.	Net Available after Prior Capital Leases	-	-	-	-	-	-	-	-	-	-	-	-
20.	1998 Ordinance Bonds Debt Service	70,139	91,175	78,653	82,380	97,619	100,553	99,051	99,274	107,835	3,727	12.1	4.7
21.	1999 Ordinance Subordinate Bonds Debt Service - (TXCP)	-	1,917	1,917	-	-	-	-	-	-	(1,917)	100.0	(100.0)
22.	Total 1998 Ordinance Debt Service	70,139	93,092	80,570	82,380	97,619	100,553	99,051	99,274	107,835	1,810	14.9	2.2
23.	Debt Service Coverage 1998 Bonds	2.14	1.83	2.00	2.01	2.16	2.05	2.01	1.98	1.98	0.01	(6.6)	0.6
24.	Net Available after 1998 Debt Service	79,829	77,712	80,341	83,199	112,792	105,281	100,022	95,692	105,166	2,858	0.6	3.6

**PHILADELPHIA GAS WORKS
BALANCE SHEET
(Dollars in Thousands)**

LINE NO.	ASSETS	ACTUAL 8/31/15	REVISED COMPLIANCE 2015-16	ESTIMATE 8/31/16	BUDGET 8/31/17	FORECAST 8/31/18	FORECAST 8/31/19	FORECAST 8/31/20	FORECAST 8/31/21	FORECAST 8/31/22	INCREASE / (DECREASE) ESTIMATE 2016 VS. ACTUAL 2015		INCREASE / (DECREASE) BUDGET 2017 VS. ESTIMATE 2016		LINE NO.	
											AMOUNT	%	AMOUNT	%		
1.	Utility Plant Net	1,232,370	1,302,577	1,284,122	1,368,695	1,426,119	1,489,311	1,548,216	1,609,206	1,672,375	\$ 51,752	4.2	\$ 84,573	0.6	1.	
2.	Sinking Fund Reserve	90,141	107,463	90,748	109,333	110,431	111,540	124,510	125,761	127,024	607	0.7	18,585	20.5	2.	
3.	Capital Improvement Fund	-	-	-	113,603	61,604	4,742	117,435	60,431	1,295	-	-	-	113,603	100.0	3.
4.	Workers' Compensation Fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4.
5.	& Health Insurance Escrow	5,820	5,850	2,601	2,607	2,614	2,627	2,640	2,660	2,680	(3,219)	(55.3)	6	0.2	5.	
6.	Cash	114,327	98,928	110,901	113,489	124,954	124,078	103,445	105,518	122,677	(3,426)	(3.0)	2,588	2.3	6.	
7.	Accounts Receivable	182,433	188,523	154,885	148,034	122,445	118,573	115,116	111,055	107,336	(27,548)	(15.1)	(9,851)	(4.4)	7.	
8.	Gas	1,250	4,443	1,500	1,500	1,525	1,550	1,575	1,600	1,625	250	20.0	5	0.2	8.	
9.	Accrued Gas Revenues	5,199	6,676	5,092	5,041	5,324	5,423	5,500	5,619	5,723	(107)	(2.1)	(51)	(1.0)	9.	
10.	Reserve for Uncollectible	(102,029)	(111,373)	(92,418)	(90,022)	(66,187)	(64,377)	(63,334)	(61,754)	(60,178)	9,611	(8.4)	2,390	(2.6)	10.	
11.	Total Accounts Receivable	86,853	88,269	69,059	64,553	63,107	61,169	58,857	56,520	54,506	(17,794)	(20.5)	(4,506)	(6.5)	11.	
12.	Materials & Supplies	50,908	57,776	46,873	47,005	49,220	50,734	52,002	53,509	54,872	(4,035)	(7.8)	132	0.3	12.	
13.	Other Current Assets	460	534	450	455	459	463	467	471	475	(10)	(2.2)	5	1.1	13.	
14.	Deferred Debits	13,135	2,833	23,131	4,782	4,987	4,464	4,311	4,348	4,311	9,990	76.1	(16,349)	(79.3)	14.	
15.	Unamortized Bond Issuance Expense	3,473	3,181	663	582	510	449	398	352	309	(2,810)	(80.9)	(81)	(12.2)	15.	
16.	Unamortized Loss on Reacquired Debt	30,953	33,698	25,347	21,571	18,188	15,065	12,224	9,640	7,339	(5,606)	(19.1)	(3,776)	(14.9)	16.	
17.	Deferred Environmental	29,669	28,792	28,767	28,767	28,767	26,722	25,026	24,099	23,102	(842)	(2.8)	-	-	17.	
18.	Deferred Pension Outflows	78,129	47,927	47,928	17,908	17,908	42,007	43,378	44,799	46,216	(30,201)	(38.7)	(30,020)	(82.8)	18.	
19.	Other Assets	35,503	38,052	41,188	39,720	40,604	42,007	43,378	44,799	46,216	5,683	16.0	(1,466)	(3.6)	19.	
20.	TOTAL ASSETS	1,771,681	1,815,860	1,771,776	1,933,070	1,931,864	1,933,396	2,093,062	2,097,314	2,117,181	95	0.0	161,284	9.1	20.	
21.	CITY EQUITY	277,984	311,160	299,302	320,810	397,009	479,042	554,143	621,668	707,302	21,318	7.7	21,508	7.2	21.	
22.	Revenue Bonds	915,175	890,740	857,615	1,082,875	1,035,116	962,304	1,090,549	1,051,200	992,726	(97,560)	(6.3)	225,260	26.3	22.	
23.	TECA Accounts	(787)	(2,035)	(877)	(1,613)	(1,502)	(1,395)	(1,292)	(1,192)	(1,094)	(90)	(9.0)	(730)	(83.9)	23.	
24.	Unamortized Discount	43,360	40,516	54,294	49,013	43,534	38,364	33,617	29,200	25,170	10,934	25.2	(5,281)	(9.7)	24.	
25.	Long Term Debt	957,748	928,221	911,032	1,130,275	1,077,148	1,019,293	1,130,874	1,079,208	1,016,812	(46,716)	(4.9)	219,243	24.1	25.	
26.	Notes Payable	30,000	78,600	71,000	-	-	-	-	-	-	41,000	136.7	(71,000)	(100.0)	26.	
27.	City Loan	-	-	-	-	-	-	-	-	-	-	-	-	-	27.	
28.	Accounts Payable	58,025	59,825	53,351	56,084	57,221	57,434	56,011	56,216	56,144	(2,676)	(4.8)	2,733	5.1	28.	
29.	Customer Deposits	2,858	2,500	2,900	3,000	2,870	2,747	2,630	2,519	2,413	42	1.5	100	3.4	29.	
30.	Other Current Liabilities	6,196	5,173	5,221	4,930	4,932	4,936	4,941	4,946	4,922	(975)	(15.7)	(291)	(5.6)	30.	
31.	Pension Liability	239,869	239,478	239,478	237,239	234,362	231,339	228,474	225,432	221,417	(930)	(0.2)	(2,237)	(0.9)	31.	
32.	Deferred Credits	7,895	2,405	2,668	2,091	4,497	2,791	2,018	2,084	2,080	(5,227)	(66.2)	(5,777)	(21.6)	32.	
33.	Deferred Pension Inflows	11,653	7,066	7,066	3,876	750	5,118	5,704	5,937	7,581	(4,587)	(39.4)	(3,190)	(45.1)	33.	
34.	Accrued Interest	6,709	11,591	3,911	10,692	10,409	10,094	14,268	13,956	13,626	(2,796)	(41.7)	6,781	173.4	34.	
35.	Accrued Taxes & Wages	3,342	5,535	5,451	3,000	4,100	4,631	5,170	5,696	6,228	2,109	63.1	524	9.6	35.	
36.	Accrued Distribution to City	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	-	-	-	-	36.	
37.	Other Liabilities	169,400	160,328	167,398	155,098	135,568	112,971	85,831	76,652	75,646	(1,002)	(0.6)	(12,300)	(7.3)	37.	
38.	TOTAL EQUITY & LIABILITIES	1,771,681	1,815,860	1,771,776	1,933,070	1,931,864	1,933,396	2,093,062	2,097,314	2,117,181	95	0.0	161,284	9.1	38.	
39.	CAPITALIZATION	1,235,732	1,240,381	1,210,334	1,451,085	1,474,157	1,488,335	1,685,017	1,700,876	1,724,114	(25,398)	(2.1)	240,751	19.9	39.	
40.	Total Capitalization	957,748	928,221	911,032	1,130,275	1,077,148	1,019,293	1,130,874	1,079,208	1,016,812	(46,716)	(4.9)	219,243	24.1	40.	
41.	Debt to Equity Ratio	77.50%	74.81%	75.27%	77.69%	73.07%	68.03%	67.11%	63.45%	58.98%	(6.02)	(2.9)	0.03	3.5	41.	
42.	Capitalization Ratio	3.45	2.99	3.04	3.52	2.71	2.13	2.14	1.74	1.44	(0.40)	(11.7)	0.48	15.7	42.	
43.	Total Capitalization Excluding Lease	1,235,732	1,240,381	1,210,334	1,451,085	1,474,157	1,488,335	1,685,017	1,700,876	1,724,114	(25,398)	(2.1)	240,751	19.9	43.	
44.	Total Long Term Debt Excluding Leases	957,748	928,221	911,032	1,130,275	1,077,148	1,019,293	1,130,874	1,079,208	1,016,812	(46,716)	(4.9)	219,243	24.1	44.	
45.	Debt to Equity Ratio	0.775	0.749	0.753	0.779	0.731	0.660	0.671	0.635	0.590	(0.02)	(2.9)	0.03	3.5	45.	

SECRETARY'S CERTIFICATE

I, **MAUREEN WAGNER**, Assistant Secretary of **PHILADELPHIA FACILITIES MANAGEMENT CORPORATION**, do hereby certify that the following is a true and correct copy of action taken by the Board of Directors of said corporation by unanimous consent to the adoption of this resolution dated July 27, 2016 pursuant to provisions of Section 5727(b) of the Non-Profit Corporation Law of the Commonwealth of Pennsylvania:

RESOLUTION

**APPROVING OPERATING BUDGET FIVE YEAR FORECAST
FOR FISCAL YEARS 2018-2022**

WHEREAS, pursuant to that certain Management Agreement by and between the City of Philadelphia and the Philadelphia Facilities Management Corporation ("PFMC") dated December 29, 1972, as amended, PFMC is the manager and operator of the Philadelphia Gas Works ("PGW");

WHEREAS, PGW has prepared an Operating Budget Five Year Forecast for Fiscal Years 2018-2022; and

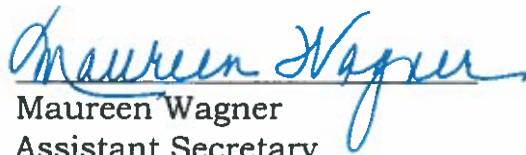
WHEREAS, the Board has reviewed the Operating Budget Five Year Forecast for Fiscal Years 2018-2022 and finds it satisfactory in form and content.

NOW, THEREFORE, BE IT

RESOLVED, that the PFMC Board of Directors approves the Operating Budget Five Year Forecast for Fiscal Years 2018-2022 as proposed by PGW management and authorizes the filing of such forecast with the Philadelphia Gas Commission.

IN WITNESS THEREOF, I have hereunto set my hand and have caused the corporate seal of said Corporation to be hereunto affixed this 27th day of July, 2016.

PHILADELPHIA FACILITIES
MANAGEMENT CORPORATION

By: 
Maureen Wagner
Assistant Secretary