



## **PHILADELPHIA GAS WORKS**

800 West Montgomery Avenue • Philadelphia, PA 19122

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### **Base Rate Case 2025 Customer FAQ**

*February 27, 2025*

Natural gas remains the most affordable way to heat a home compared to other sources like electric or home heating oil.

#### **PGW HAS ASKED TO ADJUST RATES FOR ITS CUSTOMERS, IS THAT TRUE?**

- Yes. PGW has asked for permission from our regulators, the Pennsylvania Public Utility Commission (PUC) to increase rates for natural gas service.
- PGW has requested an overall rate increase of \$105 million per year.
- We do not take lightly adding any dollars to our rate base; but we are committed to robust social programs to protect our most vulnerable customers and to doing everything possible to keep our systems operating safe for all Philadelphia residents.

#### **WILL MY PGW BILL GO UP?**

- If the PUC decides to approve PGW's rate request by the amount we have asked for, then the total bill for the average residential customer using 61 thousand cubic feet (Mcf) of natural gas per year would increase from \$92.60 to \$104.61 per month or by 13% percent.
- CRP customers will continue to pay their bills based on their income.
- It is important to note that natural gas is still the most affordable energy option for residential heat compared to electric or heating oil, for example.

#### **IF CUSTOMERS ARE USING LESS GAS DUE TO ENERGY-EFFICIENT APPLIANCES AND INCREASED CONSERVATION, THEN WHY SHOULD THEY PAY MORE?**

Due to PGW's energy conservation efforts over the last decade, natural gas usage by its customers has dramatically decreased, saving customers millions of dollars on their heating bills; while at the same time the cost to deliver safe and reliable service has gone up significantly or remained flat, thus driving the need for an adjustment to rates.



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### WHY ARE RATES GOING UP?

PGW is owned by the City, it does not make a profit. Every dollar collected is directly allocated to ensure the safe and reliable delivery of low-cost energy service to our customers.

Raising rates does not increase or impact PGW's revenue – it supports the costs of running a safe and efficient natural gas utility.

The proposed rate adjustment builds upon the company's significant system-wide safety and service reliability enhancement efforts and introduces new, innovative programs to encourage energy efficiency and to support those vulnerable to poverty in a meaningful way.

The base rate change also aims to address the recent rise in inflation for labor, materials, information technology, construction equipment, and capital costs.

Despite saving millions and cutting our spending and adding millions in new revenue, the basic costs of doing business continue to rise.

Utilities, like PGW, have three ways to keep the system safe, reliable and efficient:

- Uncover new sources of revenue;
- Cut costs and increase efficiencies; and
- Raise rates.

PGW's last base rate increase was 2023. In preparation for its filing, PGW conducted an affordability analysis to assess the extent to which energy bills may pose a challenge for some customers. Some conclusions:

- The annual bill for a typical PGW heating customer has decreased \$259, or 18.5% over the last 10 years from comparing 2014 through to 2024. Adjusted for inflation, this represents a \$662 or 36.7% decrease over the same time period.
- With the proposed rates, this still represents a 7.9% decrease from 2014 that is actually a 28.5% decrease when adjusted for inflation.
- The average bill-to-income ratio for the average PGW customer has decreased from 2.08% to 1.10%, with it being 1.24% under proposed rates.



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Most of PGW's residential revenue comes from home heating. Improved building and weatherization techniques, more efficient appliances and more unpredictable weather patterns mean less revenue. This rate request will improve PGW's ability to sustain the company's financial well-being, continue to enhance customer service and meet the energy demands of customers while maintaining a safe, reliable natural gas delivery system.

### **WHAT IS PGW GOING TO DO WITH THE INCREASED RATES?**

#### **HIGHLIGHTS OF THE RATE FILING PROPOSAL INCLUDE:**

- A new health and safety program offering contractors \$3,000 per project on the installation of health and safety measures within a home.
- New home energy assessments and energy efficiency measures at no cost to residential customers earning up to 250% of the Federal Poverty Level (FPL).
- Expansion of a new PGW's Repair and Renew Program that provides free repairs of heating hazards on customers' heating gas equipment.
- Better alignment of costs for suppliers.
- Completion of system-wide safety enhancements that impact every PGW customer's home.

### **WHEN WILL THE PUC MAKE ITS DECISION ABOUT APPROVAL?**

- The PUC is expected to decide whether to approve the request within the next 9 months. This time period could be shorter if the parties reach a settlement, which the PUC encourages.
- PGW is requesting that the new gas rates take effect on April 28, 2025
- For more information on PGW's base rate filing, please visit [www.puc.state.pa.us](http://www.puc.state.pa.us).
- PGW must prove that the requested rates are reasonable. After examining the evidence, the PUC may grant all, some, or none of the request or may reduce existing rates.



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### **WHAT EFFORTS HAS PGW PERFORMED TO PROLONG THE NEED FOR RATE INCREASES?**

Since the previous base rate increase, PGW has launched several initiatives to do more with less, carefully manage PGW's expenses, and manage the costs of rate increases, including:

- PGW applied for and was awarded a total of \$125 million Natural Gas Distribution Infrastructure Safety and Modernization grants from the U.S. Department of Transportation's (DOT) Pipeline and Hazardous Materials Safety Administration (PHMSA). The project will result in the replacement of 66 miles of cast iron main in historically disadvantaged Philadelphia neighborhoods, and the creation of 120 new skilled jobs, and reduce 412 metric tons of methane emissions.
- PGW launched the free MyPGW mobile app. Customers can now manage their My Account, monitor usage, and make payments through the app.
- PGW has led in reducing emissions for a cleaner, greener future. In 2024, PGW eliminated 7,581 metric tons of carbon dioxide equivalent emissions. 4.5 metric tons were saved by adding electric vehicles to our fleet through a Pennsylvania Department of Environmental Protection grant. And customers saved 3,480 metric tons through PGW's energy-saving grants, rebates, and educational programs.
- PGW enhanced PGWorks.com to allow customers to access instant language translation in 50+ languages and select ADA options. These upgrades are available on desktop and mobile/smart devices.
- In 2023, PGW consolidated eight of its operational buildings into its North Operations Center, reducing PGW's carbon emissions from those retiring facilities by 50%. Also, the consolidation will save PGW \$100 million over 5 years.
- PGW established the online PGW Marketplace, where customers can receive significant EnergySense discounts on smart thermostats that regulate energy usage and help lower monthly energy bills.
- PGW has implemented a Hardship Fund Pilot program aimed at customers who are Asset Limited, Income Constrained, Employed (ALICE) at 151%-250% FPL. The Pilot program provides a one-time grant of up to \$750 for customers who are recertified for CRP but were ineligible due to being above 150% of the FPL but less than 250% or who have a Protection from Abuse Order and are in this income group. This is aimed to provide support for the "benefits cliff" that many lower-income customers experience.



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- PGW has continued offering a variety of energy efficiency and demand-side management programs to customers including:
- EnergySense Kits (ESK) program that provides customers with a free energy efficiency kit.
- Small Business Assessment (SBA) program which provides free walkthrough energy assessments that recommend energy efficiency upgrades, to encourage small businesses to take advantage of prescriptive rebate programs.
- A pilot program offering rebates for variable refrigerant flow (VF) natural gas heat pumps as part of the Commercial Equipment Rebates program.

Additional funding to continue providing free smart thermostats to low-income customers as part of the Low-Income Smart Thermostat (LIST) program.

### **WHAT ARE THE COMPONENTS OF PGW'S RATES REFLECTED IN CUSTOMER BILLS?**

- PGW's natural gas rates are made up of two main components: a delivery charge (or base rate) and a commodity charge (gas cost).
- The base rate reflects the cost of delivering natural gas to the customer's residence, distribution system maintenance and customer billing costs.
- The gas cost is what PGW pays for natural gas and is passed on to the customer without markup.
- PGW purchases gas when temperatures are warmer and demand is low, to reduce the financial burden of high bills during peak heating season.
- Customers can log onto their PGW My Account to review a breakdown of their bill.



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### **CUSTOMERS ARE EXPERIENCING HIGH UTILITY COSTS ACROSS THE BOARD. HOW ARE CUSTOMERS SAVING MONEY BY USING NATURAL GAS?**

- Households that use natural gas for heating, cooking and clothes drying save an average of \$1,132 per year compared to homes using electricity for those applications.
- Natural gas is 3.5 times more affordable than electricity and significantly more affordable than several other residential energy sources for the same amount of energy delivered.
- Natural Gas is Stable: Natural gas is projected to be 1/2 to 1/3 the price of other fuels through 2050.

### **HOW CAN THOSE STRUGGLING TO PAY THEIR BILL RECEIVE ASSISTANCE?**

- For our customers needing assistance with their natural gas bills, PGW is here to help.
- PGW offers several payment assistance options, and we will help customers find the payment assistance programs that best fit their household's needs.
- PGW offers Budget Billing, an assistance program that estimates a customer's yearly gas usage and divides the total evenly over a 12-month period. This evens out payments over the course of the year and helps customers predict how much to budget for heating costs every month. Call (215) 235-1000 to get started.
- PGW offers one-on-one help to customers at more than a dozen Neighborhood Energy Centers (NECS) conveniently located throughout the city so they can better afford their home heating bills.
  - NECS are one-stop shops where Philadelphia residents can meet one-on-one with PGW-trained energy counselors to discuss any utility issues they may have.
- PGW encourages customers to apply for **LIHEAP (Low Income Home Energy Assistance Program) – a free federal grant of up to \$1,000** to help with their home heating bills.
  - LIHEAP grants for PGW customers are applied directly to the "*Please Pay*" amount of their bill.
- Here are four easy ways to apply for LIHEAP.
  1. Text the word "CASH" to 77037 to receive an application.
  2. Download a LIHEAP application at [pgworks.com/liheap](http://pgworks.com/liheap).



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3. Visit a [Neighborhood Energy Center](#) to receive in-person guidance and payment assistance counseling.
  4. Visit the Pennsylvania LIHEAP Assistance Office at 1163. S. Broad St.
- All of our customers deserve access to affordable, safe, and reliable natural gas service without compromising their basic needs. Many Philadelphians are eligible for this money, that is free – don't leave money on the table this winter.
  - PGW's Customer Responsibility Program for income-eligible customers – based on household income -- who could pay as little as \$25 a month.
  - Customers can apply for Crisis Assistance which is a federal grant that is awarded to income-eligible customers who are either without utility service or have received a 10-day shut-off notice. Customers can apply for both Crisis Assistance and LIHEAP benefits at the same time.

### WHO CAN I CONTACT FOR MORE INFORMATION?

For questions, individuals and entities can contact the PUC at 1-800-692-7380 and leave their name and address to be notified of any public input hearings that may be scheduled related to this case.