



NEWS RELEASE

FROM THE
OFFICE OF CORPORATE COMMUNICATIONS & PUBLIC AFFAIRS
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For Immediate Release

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PGW FILES REQUEST WITH REGULATORS TO INCREASE DISTRIBUTION BASE RATES

New average residential bills would still be lower than after last Base Rate increase

(Philadelphia, Pa. – February 27, 2017) – Philadelphia Gas Works (PGW) today announced that it has filed a base rate case with the Pennsylvania Public Utility Commission (PUC). The filing, PGW's first in eight years, requests permission to increase rates by \$70 million per year. If the request is granted, the bill for an average residential customer using 76 thousand cubic feet (Mcf) of natural gas per year would increase by about \$2.44 a week. At this new rate, residential customers would pay \$2.55 less per week than they did for the same amount of natural gas when rates were last adjusted, in 2010.

"We recognize the pressures on hardworking families and businesses in Philadelphia. That's why we've worked so hard to reduce our operating costs and identify new sources of revenue since our last rate increase," said Craig White, president and CEO of PGW. "However, changes in the local economy and rising regulatory, healthcare and equipment costs mean that this request is necessary so PGW can continue to safely provide gas service to our neighbors."

Since 2010, PGW has put changes in place that have avoided over \$75 million in healthcare costs, cut borrowing needs by over \$185 million, and eliminated over \$340 million of long-term debt. In addition, the way PGW manages its operations and finances has led to improved bond ratings, the net result of which is that we save \$72 million in debt service payments, on behalf of our customers. Despite these and other cost control measures at PGW, service-line work related to the company's infrastructure upgrade project, dynamic weather patterns, a flat customer base have meant a decline in sales volume and a net increase in operating costs.

"Since the last base rate increase, winters have become warmer and appliances and homes are more energy efficient," said White. "That combination has caused our sales volume to drop by over 11% since 2009. To absorb that change, and others, while continuing to ensure that Philadelphia benefits

from safe, reliable gas service we always look for cost savings and new revenue sources first. While that has delayed our base rate case, we now have no option but to request an increase.”

In addition to PGW’s efforts to increase top-line revenue – including its successful LNG sales pilot program – the company is also asking the PUC to approve the implementation of a new Technology and Economic Development Rider. Designed to boost economic development, enhance revenue and support local job creation, the rider will expand the use of natural gas by giving customers access to more energy options, including combined heat and power projects, natural gas vehicles, and fuel cells.

For small and medium sized commercial properties, PGW is asking the PUC to approve a pilot Micro-Combined Heat and Power (Micro-CHP) Incentive Program that will provide new incentives to increase the ability of qualifying customers to expand natural gas use.

Information on PGW’s Base Rate request can be found at www.pgworks.com including options for challenging the company’s request to change its rates.

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Founded in 1836, The Philadelphia Gas Works (PGW) is owned by the City of Philadelphia and is the largest municipally owned gas utility in the country. It manages a distribution system of approximately 6,000 miles of gas mains and service pipes supplying approximately 500,000 customers. PGW's operations are managed by a non-profit corporation, the Philadelphia Facilities Management Corporation (PFMC). More information about the company is available at www.pgworks.com.