



CITY OF PHILADELPHIA

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MICHAEL A. NUTTER
Mayor

April 11, 2014

Dear Members of City Council:

I understand that a memo was circulated to you yesterday that raised questions about the Pennsylvania Public Utility Commission's (PUC) review of the proposed sale of PGW to UIL Holdings (UIL). I am writing this letter to provide you with a clarification of the PUC process and how it aligns with the review of the sale that City Council has now begun. The information below has been developed and reviewed by both the City Solicitor's Office and PGW's regulatory attorney, Dan Clearfield, with Eckert Seamans. If you would like a copy of the Solicitor's opinion, my office would be happy to provide it to you.

First, please be assured that introduction of the sale ordinance does not trigger the PUC review process. The language in the Asset Purchase Agreement signed by the City of Philadelphia (City) and UIL states that the parties must "prepare and file" a joint application to the PUC "no later than sixty days following the introduction of the Ordinance in City Council." I have been advised by the City Solicitor that this provision has nothing to do with the start of the PUC review of the proposed sale and is solely a mutually-agreed upon timeline designed to keep the process moving between the City and UIL. Again—the introduction of a bill does not trigger the PUC review process. The PUC review process will start only after a joint application has been filed by the City and UIL and, more importantly, the PUC will not approve an application until the sale of PGW has first been approved by City Council, if City Council takes that action.

Second, the PUC process will take at least nine to ten months. A favorable decision on the joint application by the PUC is meaningless—and will not happen—without City Council first approving the sale ordinance. The sale of PGW cannot happen without City Council's approval to sell PGW's assets.

Also, once the application is filed with the PUC, the PUC is prohibited from discussing the application or the deal publicly, so City Council should not be concerned that filing the application with the PUC will affect its own approval process.

Finally, should City Council condition approval of the sale on agreement by the City and UIL to changes to the Asset Purchase Agreement—keeping in mind that the City and UIL may only do so to the limited extent permitted under the laws and rules that guide the City’s competitive bidding process—the application to the PUC can be modified to include these changes to the extent they are pertinent to the PUC’s decisions. In other words, the PUC will not consider or approve an application that is inconsistent with the transaction that the City of Philadelphia and UIL have agreed to and the City Council has itself approved.

Attorneys from the City Law Department and Dan Clearfield would be happy to answer any and all questions you and your staff may have about the proposed transaction, the Asset Purchase Agreement and the PUC review process. Please let me know if you would like a briefing.

Sincerely,

A handwritten signature in black ink, appearing to read "M. A. Nutter", with a horizontal line extending to the right.

Michael A. Nutter
Mayor