DRAFT RESPONSES

1. Are there plans to take out the 8th Series Variable Rate bonds with Fixed Rate bonds as part of the upcoming bond issue?

*Not at this time.*

2. Please provide an update on the legal proceedings regarding liens placed on landlord properties that tenants have unpaid charges. What impact will an unfavorable ruling have and will it be material.

*We are unable to quantify the impact of an unfavorable ruling at this time.*

3. Please provide a projected draw schedule for the new revolving line of credit, including average outstanding?

*PGW does not anticipate drawing on the line-of-credit through 2022.*

4. Will this new facility, revolving line of credit, terminate the current $120MM CP facility. If so, will the current outstanding’s under the CP facility be rolled into the upcoming bond deal?

*Yes and yes.*

5. Please provide an update on PGW’s LNG expansion plans.

*[Excerpt from the ENGINEER’S REPORT]*

*PGW is currently studying the feasibility of expanding the liquefaction capacity of its Richmond Plant. Given the current state of discussions as described below, this Report does not take into account any costs or the potential revenue which might be generated from such expansion. PGW solicited non-binding expressions of interest from potential LNG buyers as to their interest in purchasing LNG in year-round direct sales, from its Richmond and Passyunk Plants, if LNG was available. Based on the responses received, PGW has identified a potential annual market for up to 5 Bcf of direct LNG sales. If PGW was to address this interest, as well as provide redundancy for PGW’s existing facilities and additional capacity to serve PGW customers, PGW would need to increase the liquefaction capacity of its Richmond Plant. Various scenarios of additional capacity were studied with 21,000 Mcf/day being determined to best meet PGW’s needs and the perceived interest. This additional liquefaction capacity would allow PGW to cycle its 4.05 Bcf of storage capacity to meet both the demand of these year round LNG sales as well as the peak day and design winter LNG demand (2.2 Bcf) of its natural gas sales business.*

*Based on the non-binding expressions of interest and subsequent analysis, PGW issued a Request for Proposals (“RFP”) in connection with a proposed PGW-financed expansion at the Richmond Plant with an option for proposer-financed development at the Passyunk Plant.*

*PGW has engaged in preliminary discussions with two proposers who responded to the RFP and who would purchase LNG. Those discussions contemplate that the financing of any facilities needed to provide the LNG and the financial liability therefor would be the responsibility of the proposer, with PGW’s sole obligation*
being to operate the facilities and to pay rent, as an operating expense of PGW, solely out of the sales revenues generated by the sale of the LNG to the purchasers of the LNG or through other transaction revenues. It is currently contemplated that PGW will lease land to a proposer, and lease the land and the new facility back from the proposer on a turnkey basis. All discussions are preliminary. There is no assurance that the LNG facility, as described above, will be built, or that the proposed structure will not change. However, since at the present time PGW does not anticipate a project for which it would incur debt or financial liabilities, except as to the payment of rent as an operating expense, no sensitivity analysis has been included in this Report.

6. What is the current amount of outstanding Line of Credit Notes?

As of June 26, 2017, there are $101 million of Capital Project CP Notes outstanding. There are no plans to issue additional CP at this time. The outstanding CP will be refunded by the upcoming PGW 15th Series Bond issue scheduled to Close by the end of August 2017.

7. What is the expected usage of the Line of Credit over the next three years?

PGW has not budgeted a draw of the Line of Credit until its fiscal year 2020, or possibly as late as its fiscal year 2021.

8. How often does PGW expect to draw/repay on the line of credit? Can draws be limited to one per week or one per month?

See responses above. If draw upon, the line-of-credit would be repaid from bond proceeds.

A limitation of one per month would be acceptable.

9. What is the amount of outstanding debt under each PGW ordinances (1975 and 1998)?

The 1975 Ordinance was terminated in 2015 when all outstanding bonds were refunded into the 1998 Ordinance in connection with the issue Gas Works Revenue Refunding Bonds, Thirteenth Series (1998 Ordinance).

As of July 1, 2017, there will be $828,955,000 outstanding under the 1998 Ordinance.

10. What are the plans to issue additional debt under each PGW ordinance?

The 1975 Ordinance was terminated in 2015. PGW anticipates issuing approximately $180 million in 2020 or possibly as late as its fiscal year 2021.

11. What is the projected capital budget for each of the next three fiscal years?

The projected capital budget for each of the next three years is as follows:

FY2018: $109.010 million
FY2019: $115.628 million
FY2020: 113.149 million
12. What are the expected rate increases for the next three years?

*PGW filed for a $70.0 million base rate increase in February 2017. This is still in the discovery stage. With this filing PGW also requested a change from a 30 year degree day average to a 10 year degree day average. Otherwise, the request would have been in the range of $50.0 million.*

13. What is the percentage of the pension liabilities that are presently funded? What is the plan for funding these going forward?

*As of August 2016, the PGW Retirement Reserve Fund had a 62.10% funded ratio. In its fiscal year 2014, PGW adopted a 30 year closed amortization schedule to fund the pension liability.*

14. Does the City of Philadelphia have any liability for pension obligations, or are retirement benefits strictly a liability of Philadelphia Gas Works?

*No, the City of Philadelphia does not have any liability for pension obligations or retirement benefits. It is strictly a liability of Philadelphia Gas Works.*

15. If selected, will PGW provide an estimated FY 2017 income statement and a five year financial projection with the Bank?

*Yes, also the PGC budget is available as well.*

16. The REI, Exhibit B no. 7 states that Bank Rate at Base Rate for at least 180 days. Does that mean each Note must have a fixed rate for 180 days?

*No, it does not mean each Note must have a fixed rate for 180 days. References to Bank Rate related only to Term Out provisions.*

17. Please provide additional information on the “Limited Indemnification” requirement (Exhibit B no. 9.)

*This provision goes to the fact that it is not clear under pa law (or under most other state laws) that a governmental entity can indemnify. Therefore, we always provide that governmental indemnification is "if and to the extent permitted by applicable law" and indemnification provisions are carved out of enforceability opinions.*