

ordinances for PGW, and such obligation shall continue until the date on which all bonds, which are Approved Bonds, issued thereunder have been retired, redeemed, advance refunded or otherwise defeased. Section 2212(e) also states that (i) the PUC shall permit the City to impose, charge or collect rates or charges as necessary to permit the City to comply with its covenants to the holders of any Approved Bonds (herein defined) and (ii) the PUC shall not require the City to take action, or omit taking any actions, pursuant to this title if such action or omission would have the effect of causing the interest on tax-exempt bonds issued by the City to be includable in the gross income of the holders of such bonds for federal income tax purposes.

“Approved Bonds” consist of (1) bonds issued by the City under The First Class City Revenue Bond Act or The City of Philadelphia Municipal Utility Inventory and Receivables Financing Act that were issued and outstanding as of July 1, 2000, (2) bonds issued on or after July 1, 2000 by the City, unless the City Council declares otherwise in the authorizing ordinance, (3) bonds issued for the purpose of refunding, redeeming, repaying or otherwise defeasing Approved Bonds and (4) bonds issued by a municipal authority for PGW’s benefit for purposes other than refunding, redeeming, repaying or otherwise defeasing Approved Bonds unless the PUC determines, at the time of the registration of a securities certificate, that the bonds should not be Approved Bonds. The Bonds are Approved Bonds.

Further, Section 2212(f) permits PGW to impose, charge or collect rates and charges as necessary to permit PGW to transfer or pay to the City, on an annual basis, such amount as may be specified from time to time in the applicable ordinances of the City or agreements of the City approved by ordinances; provided that if the amount specified exceeds 110% of the amount that was authorized for transfer or payment to the City at the close of the Fiscal Year of the City ending June 30, 2000, such additional amount shall be subject to review and approval of the PUC, which approval shall be given unless such additional amount would not be just and reasonable. The amount currently specified is \$18.0 million, which is the same amount as was authorized for transfer at the close of the City’s Fiscal Year 2000. See “GAS SERVICE TARIFF AND RATES – Rates – Base Rate” for a description of the 2010 PUC Policy Statement setting forth the factors to be considered in determining PGW rates and revenue allowances. See also “PHILADELPHIA GAS WORKS – Governmental Oversight – PUC April 2015 Report.”

Assistance Programs and Grants

PGW participates in, or partially funds, several assistance programs to, among other things, increase cash flow to PGW and decrease accounts receivables and write-offs. Pursuant to its Gas Service Tariff, PGW recovers the costs of the discounts provided to customers pursuant to the Customer Responsibility Program (the “CRP”) and the senior citizen discount program (the “Senior Citizen Discount Program”), arrearage forgiveness provided to CRP customers and certain other costs through the Universal Service and Energy Conservation Surcharge, which is applicable to all PGW customers (excluding interruptible customers) who are delivered natural gas through PGW’s distribution system.

Customer Responsibility Program

The CRP is a customer assistance program for low-income residential customers who are at or below 150% of the federal poverty level. PGW will forgive 1/36 of the customer’s original pre-CRP debt each month for each bill paid on time and in full. Participants in the CRP are also required to apply for the Low-Income Home Energy Assistance Program (as further described below, “LIHEAP”), if eligible, and designate PGW as the grant recipient. Approximately 61,300 customers were enrolled in the CRP as of December 2014. PGW projects that the number of CRP participants will increase to approximately 69,500 by the end of calendar year 2016. The table below sets forth the approximate aggregate discount and approximate amount of debt forgiveness granted by PGW to CRP participants in Fiscal Years 2010-2014.

Table 8
PGW DISCOUNTS AND
DEBT FORGIVENESS GRANTED TO CRP PARTICIPANTS
(THOUSANDS OF U.S. DOLLARS)

<u>Fiscal Year</u>	<u>Discounts to Participants</u>	<u>Debt Forgiveness</u>
2014	\$65,100	\$ 6,200
2013	70,600	6,900
2012	63,200	8,300
2011	88,700	10,000
2010	78,900	9,600

Source: PGW's records.

Pursuant to PGW's Universal Service and Energy Conservation Plan 2014-2016, the CRP will be modified during the term of the Plan (*i.e.*, 2014-2016) to include, among other things, (1) a stay-out provision pursuant to which PGW will not permit re-enrollment of a customer into the CRP for a one-year period, unless otherwise specified, if the customer commits two or more incidents of unauthorized usage, submits fraudulent enrollment or recertification information and certain other actions, (2) application of PGW's unauthorized usage policy to participants in the CRP, (3) the provision of conservation incentive credits and (4) modified arrearage forgiveness.

Senior Citizen Discount Program

The Senior Citizen Discount Program has been closed to new participants since September 1, 2003. The Senior Citizen Discount Program provides qualifying residential senior citizens with a discounted General Service Rate approximately equal to a 20% reduction in the participant's total gas bill each month. The number of participants in the Senior Citizen Discount Program decreased from approximately 70,000 in 2004 to 19,600 as of May 2015. PGW projects that the average monthly enrollment will decrease to approximately 17,000 by 2016, resulting in less supplemental revenue being required to fund the program over time. Discounts to participants in the Senior Citizen Discount Program are recovered through the Universal Service and Energy Conservation Surcharge. See APPENDIX B – "INDEPENDENT CONSULTANT'S ENGINEERING REPORT – **Rates and Tariffs** – *Senior Citizen Discount Program*" attached hereto.

Low-Income Home Energy Assistance Program

LIHEAP is a federally funded program that provides funds to households to ensure continued utility service available. Federal LIHEAP funds are allocated to individual states, which in turn allocate the amount to qualifying residents. PGW's share of LIHEAP funds allocated by the Commonwealth of Pennsylvania has ranged from approximately 12% to 17% since 2005. Funds received from LIHEAP are paid directly to PGW for a credit to the customer's account. Since 2005, LIHEAP funding has ranged from a low of \$19.5 million in 2008 to a high of \$41.5 million in 2010.

Additional Programs and Grants

See APPENDIX B – "INDEPENDENT CONSULTANT'S ENGINEERING REPORT – **Rates and Tariffs** – *Other Programs and Grants*" and "– Five-Year Gas Demand-Side Management Plan," for a description of hardship funds that are financed by customer contributions, the Utility Emergency Services Fund, PGW matching grants, available payment programs and PGW's portfolio of conservation programs. Also see "GAS SERVICE RATES AND TARIFFS – **Collections**."