PGW Questions

1. Has PGW seen an increase in delinquencies, or been providing relief to individuals unable to pay their bills?

**RESPONSE:** PGW has been following all PUC guidelines related to customer service and related payment programs. The winter shut-off moratorium has been extended while the “Proclamation of Disaster” issued by Governor Wolf on March 6, 2020 is in effect. Customers are not being assessed late payment charges which approximate $1.3 million per month.

Delinquencies have increased recently due to several factors. Since the shut-off moratorium has been in place, customers whose gas service would have been terminated for non-payment are still receiving gas service. This is reflected in an increase in overdue A/R. Since write-offs of accounts are not taking place, this too, has increased delinquent accounts. PGW does not expect this to be a long-term result. When the moratorium is lifted and PGW proceeds with its normal business process the delinquent account balance should reduce.

2. Is PGW able to use the Stabilization Fund that is typically used to balance weather related demand fluctuations and apply it to meet rate covenants in the event COVID/recession may impact collections?

**RESPONSE:** PGW does not have a “Stabilization Fund”. The Weather Normalization Adjustment (WNA) is strictly weather based and does not take into account fluctuations related to non-weather based variations in usage. This would be more akin to a decoupling mechanism and PGW does not have “decoupled” rates.

3. Can PGW provide interim financial information?

**RESPONSE:** Attached please find the PGW financial statements for the eight months ended April 2020.

![April 2020 Financial Statements.pdf](attachment:April_2020_Financial_Statements.pdf)

4. Can the City increase the $18mm annual transfers from PGW and what procedure or conditions would be necessary for this to take place?

**RESPONSE:** The City fee can only be increased 10.0%, or $1.8 million, without PUC approval. The City has not budgeted for, nor requested a change in, the $18.0 million City fee.

5. What is PGW’s projection of FY2020 operating revenue and collection rates given the coronavirus effects?

**RESPONSE:** PGW is estimating a drop in revenue due to warmer than normal weather experienced prior to the impact related to COVID-19. At the fiscal year end, August 31, 2020, the variance from budget in revenue is estimated to be $44.3 million with a corresponding decrease in the cost of natural gas purchased in the amount of $533.0 million for a net loss of contribution margin in the amount of $11.3 million. Because of the slowdown in construction and related overtime, PGW anticipates decreased operating expenses to mitigate this loss of contribution margin. The delay in the sale of the bonds will
also lower FY 2020 interest expense from budget. The net of all of these changes is an anticipated reduction in net income of approximately $1.8 million.

PGW's collection rate for the eight months ended April 2020 was 97.35%, above the target of 96.0%.