



City Council of Philadelphia

City Hall

Philadelphia, PA 19107

<http://phlcouncil.com/>



# Energizing The Future



...the path to a 21st century energy hub.



Building

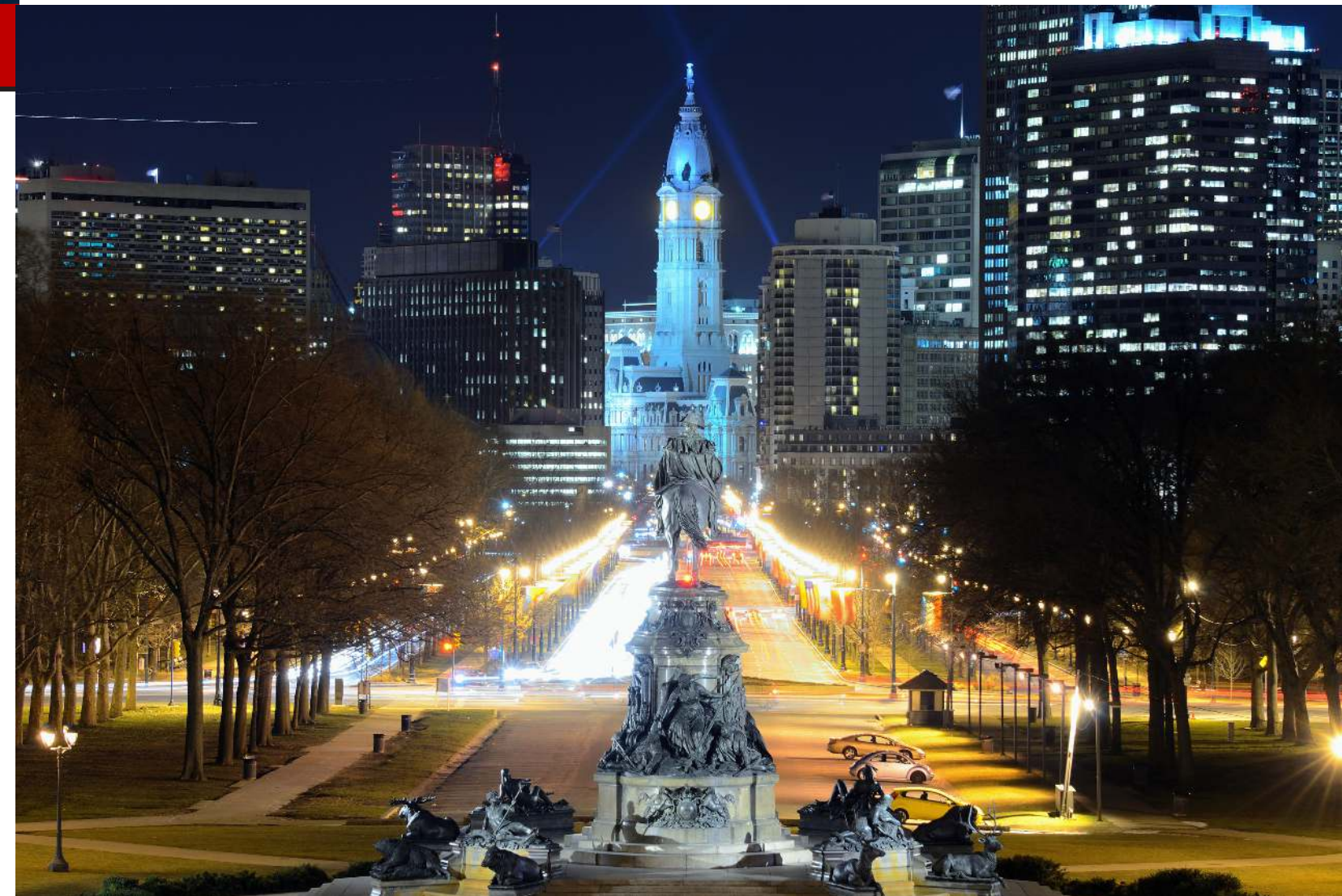
# Philadelphia's Energy Future



The Philadelphia region is poised to become a national energy leader, blessed with the resources, work force and vision to build a brand new economy. By more effectively leveraging assets such as the Philadelphia Gas Works (PGW) and our ports, as well as exploring opportunities with Public Private Partnerships in the region, the City of Philadelphia can begin a collaborative and inclusive process to map out a new path to economic success. To that end, the City Council of Philadelphia commissioned a study of Highest and Best Uses for PGW and from that study identified nine promising opportunities for the region.

There are a myriad of strategic options for the future of PGW that should actively be considered for a utility that can better position itself to take advantage of the new energy economy. These options offer both benefits and challenges, and should each be weighed by Council and be given a full public vetting to ensure all voices are heard.

Securing our future  
by building on our past....



# economic security

## 7. Modernize PGW's Governance

The current governance structure of PGW involves multiple reporting entities, which was designed to ensure the fiduciary and other interests of the City are protected. This challenges PGW's ability to participate in competitive emerging markets. **City leaders should explore a modern governance model that permits PGW to be a more flexible and nimble utility.**

## 8. Accelerate Main Replacement

PGW faces a multi-decade challenge to replace its 1,501 miles of cast iron main as fast as is practically and financially feasible.

**Council believes that PGW can further accelerate this pace without unduly burdening customers or commerce in the City.** Investing \$12 million more per year (an additional \$2 per month in a typical customer's bill) could enable PGW to speed up replacement of the largest group of its "at risk" mains by about 20 years.

## 9. Enhance Operational Efficiencies

Standard & Poor's attributed its recent bond upgrade of PGW to its "view of improving trends related to collections, coverage of fixed costs, liquidity and debt ratios for PGW, as well as the adoption of a number of credit supportive policies and procedures." Achieving greater operational efficiencies has allowed PGW to do more pipe replacement and other improvements. **PGW should continue to pursue additional operational efficiencies and best practices so as to position itself to be a partner in the new energy economy in the region.**

# Philadelphia Gas Works



## Improved infrastructure



# growth

As the City considers PGW's future, it is important to know that PGW is on solid financial footing. Standard & Poor's recently raised PGW's bond rating to A-, just one point below the City of Philadelphia's own bond rating. PGW's management is no longer plagued by problems of the past. PGW is a City of Philadelphia asset, one that can and should be leveraged to direct and guide our region into the 21st century of domestic energy.

In order for the Greater Philadelphia region to become an energy hub, the City must ensure that it is not at the expense of the customers or businesses that depend on PGW every day. PGW must become a more nimble organization, able to respond to an ever-changing market and continue to be a financially stable utility that provides safe and reliable service to its customers.

**It is with this vision in mind that City Council presents the following 9 opportunities for a full public discussion.**

# Increased revenues



# New markets

# Job creation

## 1. Diversify PGW's Gas Supply Portfolio

PGW currently purchases its entire supply from the Gulf Coast rather than the Marcellus Shale in Pennsylvania. **Shifting a portion of PGW's existing direct supply from the Gulf to the Marcellus is a huge opportunity for PGW that could generate up to \$17 million in annual savings.**

PGW could be an anchor customer for a natural gas pipeline to the Philadelphia area.

## 2. Optimize PGW's Liquid Natural Gas (LNG) Assets

PGW could be well positioned to compete in the LNG sales market, but would first need to add liquefaction capacity at the Richmond facility. This facility already has one of the largest storage tanks in the Northeast, which gives it a massive strategic advantage. **An investment of \$50 million would be required to advance this opportunity, which could net new revenues of \$8 million to \$10 million annually.** The investment could be undertaken by PGW or through collaboration with a private investment partner.

## 3. Help Develop a Regional Natural Gas Vehicle Market

PGW acquired 24 Compressed Natural Gas (CNG) sedans to spur the growth of the local Natural Gas Vehicle (NGV) market, and several businesses are considering converting their fleets to CNG. **The City of Philadelphia owns vehicles that can be converted or replaced with natural gas vehicles, which are ideally suited for urban use.**

To develop a successful market for NGV vehicles, additional fueling stations will need to be built in the region. PGW should work with the City of Philadelphia and the business community to invest in opportunities that will support this emerging market.

## 4. Convert More Businesses and Consumers to Gas

PGW should aim to increase business by working with firms that are considering relocating to or expanding within Philadelphia. As construction of "green buildings" proliferates across the country, the Philadelphia region's ample supply of natural gas could attract and retain more businesses.

**The City needs to foster an environment in which the public sector and the business community view PGW as a vital partner.** One way to do this is to take advantage of a technology that allows large customers to save on electricity bills while efficiently generating energy to meet heating and cooling needs. This is called combined heat and power, or CHP.

## 5. Support Energy Industry Workforce Training

Diversifying energy transportation and supply services will create new jobs, which preferably will be filled by Philadelphia residents. **The City should form strategic partnerships with education institutions and businesses in order to equip residents with the skills necessary for good, family-sustaining jobs — whether at PGW itself, at the ports or in the manufacturing of natural gas by-products.** As Philadelphia Energy Solutions' plan to create a "regional energy hub" comes into focus, we need to ensure that the region's workforce can match the needs of a new energy-based manufacturing economy.

## 6. Invest in Customer Premises to Lower Energy Bills

PGW can do more to help participants in its Customer Responsibility Program (CRP) use natural gas more efficiently in order to create savings for all PGW customers. The overall success of CRP has been limited by challenges in the delivery of energy efficiency services to this customer segment, including high participation refusal. **PGW can also work closely to support commercial customers willing to make energy efficiency investments that will lower their operating costs.**

# Economic security

# Skilled Workforce



# lower energy costs