

SPECIAL PROVISIONS TO NAESB BASE CONTRACT FOR SALE AND PURCHASE OF NATURAL GAS (“Special Provisions”) BETWEEN THE PUBLIC ENERGY AUTHORITY OF KENTUCKY (“Seller”) AND PHILADELPHIA GAS WORKS BY PHILADELPHIA FACILITIES MANAGEMENT CORPORATION, IN ITS CAPACITY AS OPERATOR AND MANAGER OF THE MUNICIPALLY OWNED PHILADELPHIA GAS WORKS PURSUANT TO AN AGREEMENT WITH THE CITY OF PHILADELPHIA DATED DECEMBER 29, 1972, AS AMENDED (“Buyer”)

These Special Provisions form an essential part of the Contract. If the terms of these Special Provisions and the other terms of the Base Contract conflict, the terms of these Special Provisions shall govern. Any definitions used in the Base Contract, unless otherwise defined in these Special Provisions, shall have the same meaning when used in these Special Provisions.

Any references herein to “General Terms and Conditions” mean the document attached to and forming part of the Base Contract entitled “General Terms and Conditions Base Contract for Sale and Purchase of Natural Gas” and setting forth the General Terms and Conditions of the agreement between the parties.

Any reference to a Section in these Special Provisions refers to the same Section of the General Terms and Conditions to the Base Contract.

The General Terms and Conditions to the NAESB Base Contract for Sale and Purchase of Natural Gas are hereby amended and supplemented as follows:

A. Section 1- PURPOSE AND PROCEDURES

1. Section 1.2 (Written Transaction Procedure) is amended by deleting the following from the last sentence of the section: “or the passage of the Confirm Deadline without objection from the receiving party, as provided in Section 1.3”.
2. Section 1.3 is deleted and replaced by the following: “1.3 Intentionally omitted.”

B. Section 2- Definitions

1. The definition of “Day” is deleted in its entirety and replaced with the following:

“Day” means a period of 24 consecutive hours beginning at 9:00 a.m. CPT on a calendar day and ending at 9:00 a.m. CPT on the next calendar day. The date of the Day shall be the date at its beginning. If, through standardization of business practices in the industry or for any other reason, a Transporter, or the FERC with general applicability, changes the definition of Day, such change shall apply to the definition of Day in this Contract with respect to such Transporter or generally, as applicable.
2. The following new definitions are incorporated in Section 2:
 - (a) “Annual Refund” means the annual refund, if any, provided to Buyer and calculated pursuant to the procedures specified in these Special Provisions.

(b) "Available Discount" means (i) for the Initial Discount Period, the sum of the Monthly Discount set forth in Addendum 2 and any projected Annual Refund; and (ii) for each Reset Period, the amount, expressed in cents per MMBtu (rounded down to the nearest one-half cent), determined by the Calculation Agent pursuant to the Re-Pricing Agreement for such Reset Period, which amount shall equal the sum per MMBtu of the Monthly Discount and any projected Annual Refund for the applicable Reset Period.

(c) "Bond Closing Date" means the date on which the Bonds are issued pursuant to the Bond Indenture.

(d) "Bond Indenture" means the Trust Indenture for the Bonds, dated as of April 1, 2019, between Issuer and the Trustee, providing for the issuance of and security for the Bonds, together with any other trust indenture providing for the issuance of and security for any refunding Bonds, in each case as the same may be amended from time to time.

(e) "Bonds" means Issuer's Gas Supply Revenue Bonds, Series 2019A (and any sub-series), issued to finance Issuer's purchase of Gas from MSES under the Prepaid Gas Agreement and costs associated therewith.

(g) "Calculation Agent" has the meaning specified in the Re-Pricing Agreement.

(i) "Gas Project" has the meaning specified in the Bond Indenture.

(j) "Initial Discount Period" means the period from and including the date on which the Delivery Period begins to and including October 31, 2025.

(k) "Issuer" means The Black Belt Energy Gas District, a public corporation organized as a gas district under the laws of the State of Alabama.

(l) "Minimum Discount" means \$0.33 per MMBtu for the Initial Discount Period and thereafter no less than \$0.23 cents per MMBtu. Both amounts are inclusive of any projected Annual Refund and are stated prior to the application of the Project Administration Fee.

(m) "Monthly Discount" means (1) for the Initial Discount Period an amount specified in Addendum 2, which Addendum 2 shall be provided by Seller to Buyer on the Bond Closing Date, and (2) for each subsequent Reset Period, a portion of the Available Discount for such Reset Period determined by the Calculation Agent pursuant to the Re-Pricing Agreement and set forth in an updated Addendum 2 provided by Seller after such determination.

(n) "MSES" means Morgan Stanley Energy Structuring, L.L.C., a Delaware limited liability company.

(o) "Net Remarketing Proceeds" means (1) the actual amounts, if any, received by Issuer from the sale of Gas that Issuer remarkets or causes to be remarketed pursuant to the terms of these Special Provisions and the Prepaid Gas Agreement, less (2) all directly incurred costs or expenses, including but not limited to remarketing and administrative fees paid to MSES under

the Prepaid Gas Agreement, provided that in no event shall the Net Remarketing Proceeds for any Gas exceed the quantity of such Gas multiplied by the Contract Price for such Gas.

(p) "PEAK Participant Contract" means that certain Base Contract for Sale and Purchase of Natural Gas and Special Provisions thereto, dated April 1, 2019, and that certain Confirmation thereunder dated April 1, 2019, by and between Seller and Issuer.

(q) "Prepaid Gas Agreement" means that certain Prepaid Natural Gas Sales Agreement, dated as of April 30, 2019, by and between MSES and Issuer, as amended or supplemented from time to time in accordance with its terms.

(r) "Project Participants" has the meaning specified in the Bond Indenture.

(s) "Re-Pricing Agreement" means the Re-Pricing Agreement, dated as of May 16, 2019, by and between MSES and Issuer, as amended or supplemented from time to time in accordance with its terms.

(t) "Remarketing Election Deadline" means the last date and time by which Buyer may provide a Remarketing Election Notice (as defined below), which shall be 4:00 p.m. Central Prevailing Time on the 10th day of the Month (or, if such day is not a Business Day, the next succeeding Business Day) prior to the first delivery Month of a Reset Period with respect to which a Remarketing Event (as defined below) has occurred.

(u) "Reset Period" means each five-year period (or such longer or shorter period as may be agreed to by Issuer and MSES pursuant to the Re-Pricing Agreement) commencing on the last day of the Initial Discount Period or prior Reset Period, as the case may be, and ending on the fifth anniversary (or such later or earlier anniversary, as the case may be) of such last day; provided that the final Reset Period shall be the period from the last day of the prior Reset Period to the end of the Delivery Period.

(v) "Trustee" means the Trustee under the Bond Indenture, which initially shall be The Bank of New York Mellon Trust Company, N.A., and its successors as trustee under the Bond Indenture.

C. Section 3 – Performance Obligation

Section 3.2 is amended as follows: delete the text beginning with the semi-colon at the end of clause (i) through the word "sold" at the end of clause (iii), and replace it with the following text:

, provided that replacement Gas includes without limitation Gas withdrawn from storage, liquefied natural gas, and peak shaving, and costs associated with obtaining such Gas including without limitation storage withdrawal and injection costs, storage fuel, and liquefaction and vaporization costs for stored liquefied natural gas, and, further, that for purposes of the foregoing the price of any such replacement Gas withdrawn from storage shall be the market price applicable to such Gas at the time of the withdrawal; or (ii) in the event of a breach by Buyer on any Day(s), Buyer shall remain obligated to pay Seller the

Contract Price for the Contract Quantity, provided that Seller shall credit to Buyer's account any Net Remarketing Proceeds for such Gas.

D. Section 7 – Billing, Payment and Audit

1. The first sentence of Section 7.1 is deleted and replaced with the following:

Not later than ten (10) days following the end of the Month of delivery, Seller shall provide a billing statement to Buyer showing the amount due for Gas delivered and received in such Month. For each MMBtu of gas delivered, Buyer shall pay the Contract Price plus the Project Administration Fee.

2. The first sentence of Section 7.2 is deleted and replaced with the following:

Buyer shall remit the amount due under Section 7.1 in the manner specified in the Base Contract, by wire transfer in immediately available funds, on or before the Payment Date.

E. Section 10 – Financial Responsibility

1. Section 10.1 is amended by adding the following sentence at the end of the section:

Notwithstanding the foregoing, 'Adequate Assurance of Performance' shall mean, if required from Buyer, sufficient security in the amount and for the term reasonably acceptable to Seller, in the form of a prepayment.

2. Section 10.2 is amended by adding the following sentence at the end of the section:

Notwithstanding the foregoing, the occurrence of an Event of Default with respect to Seller shall not give rise to the remedies described in Sections 10.2 and 10.3 if the Trustee, within three Business Days following receipt by Seller of the Notice provided by Buyer pursuant to Section 10.2 or 10.3, provides notice to Buyer that the Trustee or a receiver appointed under the Bond Indenture shall perform all obligations of Seller under this Contract and contemporaneously begins performing such obligations.

3. The following provision is added as a new Section 10.8:

10.8. Reinstatement of Deliveries Following Failure to Pay. If Seller exercises its right to suspend Gas deliveries to Buyer under Section 10.2 due to Buyer's failure to pay under Section 10.2(viii), such Gas deliveries may only be reinstated, at a time to be determined by Seller, upon (i) payment in full by Buyer of all amounts then due and payable under this Contract and (ii) payment in advance by Buyer at the beginning of each Month of amounts estimated by Seller to be due to Seller for the future delivery of Gas under this Contract for such Month (which payment is applied to and trued up with the invoice for that Month). Seller may continue to require payment in advance after the reinstatement of service under

this Contract for such period of time as Seller in its sole discretion may determine is appropriate.

F. Section 11 – Force Majeure

The following sentence is added at the end of Section 11.2:

Any invocation of Force Majeure by MSES under the Prepaid Gas Agreement or by Issuer under the PEAK Participant Contract shall be a Force Majeure event under this Contract.

G. Section 14 – Market Disruption

The text of Section 14 is deleted in its entirety and replaced with the following

- (a) If the source of any publication used to determine the index price used in the Contract Price should cease to publish the relevant prices or should cease to be published entirely, the index price shall be the price per MMBtu, stated in U.S. dollars, for Gas to be delivered at the Delivery Point during the applicable Month as set forth in an alternative index as determined under Section 18.11 of the Prepaid Gas Agreement. At Buyer's request, Seller shall exercise its right under the PEAK Participant Contract to provide recommendations and other input for Issuer's use in the process under Section 18.11 of the Prepaid Gas Agreement.
- (b) If a value published for any rate or index used or to be used in this Contract is subsequently corrected and the correction is published or announced by the entity responsible for that publication or announcement within 30 days after the original publication or announcement, either party may notify the other party of (i) that correction and (ii) the amount (if any) that is payable as a result of that correction. If, not later than 30 days after publication or announcement of that correction, a party gives notice that an amount is so payable, the party that originally either received or retained such amount shall, not later than three Business Days after the effectiveness of that notice, pay, subject to any other applicable provisions of this Contract, to the other party that amount, together with interest on that amount at the Default Rate (as defined in the Prepaid Gas Agreement) for the period from and including the day on which a payment originally was (or was not) made to but excluding the day of payment of the refund or payment resulting from that correction.

H. Section 15 – Miscellaneous

1. The following sentence is added at the end of Section 15.1:

Notwithstanding anything to the contrary contained herein with the exception of Section 15.7, this Contract may not be assigned by Seller to any entity that is not a governmental authority that has characteristics similar to those of an authority under Commonwealth of Pennsylvania law, as determined by Buyer.

2. Section 15.7 is deleted in its entirety and replaced with the following:

15.7. Third-Party Beneficiaries. Except as provided in this Section 15.7, it is specifically agreed that there are no third-party beneficiaries of this Contract and that this Contract shall not impart any rights enforceable by any person not a party to this Contract. Buyer acknowledges and agrees that (i) Seller will pledge and assign its rights, title and interest in this Contract and the amounts payable by Buyer hereunder to secure its obligations to Issuer under the PEAK Participant Contract (ii) Issuer and the Trustee shall each be a third party beneficiary of this Contract with the right to enforce Buyer's obligations under this Contract but shall have no greater rights than Seller, (iii) the Trustee or any receiver appointed under the Bond Indenture shall have the right to perform all obligations of Seller under this Contract, and (iv) in the event of a default in payments by Buyer under this Contract, (a) MSES may, to the extent provided for in, and in accordance with, the Receivables Purchase Provisions (as defined in the Bond Indenture), take assignment from Seller of receivables owed by Buyer to Seller under this Contract, and shall thereafter have all rights of collection with respect to such receivables and interest accrued thereon, and (b) if such receivables are not so assigned, the Commodity Swap Counterparty (as defined in the Bond Indenture) shall have the right to pursue collection of such receivables to the extent of any non-payment by Issuer under the Commodity Swap (as defined in the Bond Indenture) that was caused by Buyer's payment default. Buyer agrees to comply with any irrevocable payment instruction delivered to Buyer in connection with Seller's pledge of its right, title and interest hereunder, which may include an obligation to make payments due from Buyer under this Contract into an account controlled by the Trustee.

3. The following sub-sections are added to Section 15:

15.13. Annual Refund. Seller agrees that it shall pay (or cause to be paid) to Buyer an amount equal to the Annual Refund, if any, received by PEAK under the PEAK Participant Contract. As of the date of this Contract, the projected Annual Refund for the Initial Discount Period is \$0.02 per MMBtu.

15.14. Remarketing Upon Load Loss. In the event Buyer does not require all or any portion of the DCQ that it is obligated to purchase under this Contract as a result of a loss of load on its system, Seller shall, upon reasonable notice from Buyer, exercise its right under the PEAK Participant Contract to have Issuer arrange for the sale of such quantities to another purchaser(s) and Buyer's DCQ will be reduced to the extent necessary to reflect such load loss.

15.15. Representations and Warranties; Deliverables.

- (a) Each party represents to the other party that: (i) it is duly organized and validly existing under the laws of the jurisdiction of its organization or incorporation and, if relevant under such laws, in good standing; (ii) it has the power to execute this Contract and any other documentation relating to this Contract to which it is a party, to deliver this Contract and any other documentation relating to this Contract that it is required by this Contract to deliver and to perform its obligations under this Contract, and has taken all necessary action to authorize such execution, delivery and performance; (iii) such execution, delivery and performance do not violate or conflict with any law applicable to

it, any provision of its organic documents, any order or judgment of any court or other agency of government applicable to it or any of its assets or any contractual restriction binding on or affecting it or any of its assets; (iv) its obligations under this Contract constitute its legal, valid and binding obligations, enforceable in accordance with their respective terms, subject to applicable bankruptcy, reorganization, insolvency, moratorium or similar laws affecting creditors' rights generally and subject, as to enforceability, to equitable principles of general application (regardless of whether enforcement is sought in a proceeding in equity or at law); and (v) no Event of Default with respect to it has occurred and is continuing and no such event or circumstance would occur as a result of its entering into or performing its obligations under this Contract.

- (b) Buyer shall deliver to Seller a qualifying use certificate in substantially the form set forth in Addendum 1 on the date hereof, which document may be relied upon by other parties.

15.16. Special Obligations of Buyer.

- (a) Tax-Exempt Status of Bonds. The Bonds will be issued with the intention that the interest thereon will be exempt from federal taxes under Section 103 of the Internal Revenue Code (as defined in the Bond Indenture). Accordingly, Buyer agrees that it will provide such information with respect to its gas supply program as may be reasonably requested by Seller in order to establish the tax-exempt status of the Bonds. Buyer further agrees that it will use all of the Gas purchased under this Contract (i) for a "qualifying use" as defined in U.S. Treas. Reg. § 1.148-1(e)(2)(iii), (ii) in a manner that will not result in any "private business use" within the meaning of Section 141 of the Internal Revenue Code, and (iii) consistent with the qualifying use certificate attached as Addendum 1. Buyer agrees that it will provide such additional information, records and certificates as Seller may reasonably request to confirm Buyer's compliance.
- (b) Continuing Disclosure. Buyer agrees to provide to Seller: (a) such financial and operating information as may be requested by Seller including its most recent audited financial statements; and (b) annual updates to such information and statements.
- (c) Exchange. Buyer may lock-in alternate monthly pricing for one or more future months from time to time under terms mutually agreeable between Buyer and Seller for all or a portion of the volumes identified in the Transaction Confirmation.

15.17. Covenants of Buyer. Buyer's obligation to make the payments it is required to make under this Contract is a several obligation and not a joint obligation with the obligations of any other Project Participant under its contract with Seller for the purchase of Gas under the Gas Project. Buyer further covenants and agrees:

- (a) any payments required to be made by Buyer as a result of or arising out of its entering into this Base Contract shall be made solely from the revenues of Buyer's gas system, and as a charge against such revenues, as an operating expense of its municipal system and a cost of purchased Gas; provided, however, that Buyer, in its discretion,

may apply any legally available monies to the payment of amounts due under this Contract; and

- (b) the amounts payable by it under this Contract constitute a cost of purchased Gas and an operating expense of its municipal utility system.

15.18. Remarketing Election; Suspension and Resumption of Deliveries; Remarketing Event. For each Reset Period, at least ten (10) days prior to the applicable Remarketing Election Deadline, Seller shall provide to Buyer a written notice setting forth the duration of such Reset Period and the estimated Available Discount for such Reset Period. In the event such estimated Available Discount for a Reset Period is not equal to or greater than the Minimum Discount for that Reset Period (a "Remarketing Event"), such notice shall also state (i) that a Remarketing Event has occurred, (ii) the applicable Remarketing Election Deadline, and (iii) that Buyer, and each other Project Participant, may (A) continue to purchase and receive its Contract Quantity during such Reset Period at a Contract Price that reflects the Monthly Discount portion of the Available Discount (as finally determined as hereinafter described), plus Annual Refunds, if any, or (B) elect that such Contract Quantity be remarketed for such Reset Period (a "Remarketing Election") by providing a Remarketing Election Notice prior to the Remarketing Election Deadline. The parties acknowledge that the determination of the Available Discount for a Reset Period under the Re-Pricing Agreement will be through an iterative process that may commence with informal, non-binding communications that shall not constitute a written notice as provided for above, when Seller may provide preliminary non-binding estimates of the Available Discount for a Reset Period.

- (a) Remarketing Election. If Buyer elects to have its Contract Quantity remarketed for such Reset Period following the occurrence of a Remarketing Event, Buyer must provide written notice of such Remarketing Election to Seller, MSES and the Trustee (its "Remarketing Election Notice") not later than the applicable Remarketing Election Deadline. In the event Buyer provides a Remarketing Election Notice on or prior to the applicable Remarketing Election Deadline, the parties' obligations to deliver and receive Gas shall be suspended for the duration of such Reset Period and the Contract Quantity for such Reset Period shall be zero MMBtu per day.
- (b) Extension of Remarketing Election Deadline. If a Remarketing Event has occurred and Buyer has not made a Remarketing Election, but one or more of the other Project Participants has made a Remarketing Election, the estimated Available Discount may be required to be recalculated pursuant to the Re-Pricing Agreement. In such case Seller shall provide such new estimated Available Discount to Buyer promptly in writing, and the Remarketing Election Deadline shall be extended to the third Business Day following the date of such notice.
- (c) Final Determination of Available Discount. The parties acknowledge and agree that the final Available Discount for any Reset Period following the Initial Period will be determined on the applicable Re-Pricing Date (as defined in the Re-Pricing Agreement), and that such Available Discount may differ from the estimate or estimates of such Available Discount provided to Buyer and the other Project Participants prior to the applicable Remarketing Election Deadline. Accordingly, the parties agree that:

(i) the Available Discount for any Reset Period will not be less than the Minimum Discount applicable to such Reset Period, unless (A) Seller has provided notice of such Remarketing Event to Buyer in accordance with paragraph (a) of this Section 15.18, and (B) Buyer has not provided a Remarketing Election Notice prior to the applicable Remarketing Election Deadline (as the same may be extended pursuant to paragraph (b) of this Section 15.18); and

(ii) if Buyer has not made a Remarketing Election prior to the applicable Remarketing Election Deadline (as the same may be extended pursuant to paragraph (b) of this Section 15.18), Buyer shall be deemed to have elected to continue to purchase and receive its Contract Quantity at a Contract Price that reflects the Monthly Discount portion of the Available Discount as finally determined on the applicable Re-Pricing Date (as defined in the Re-Pricing Agreement), plus the right to its share of Annual Refunds, if any, and all delivery and purchase obligations under this Contract shall continue in full force and effect for the applicable Reset Period.

(d) Resumption of Deliveries. In the event that Gas deliveries are suspended following a Remarketing Election made by Buyer in accordance with this Section 15.18, the parties acknowledge and agree that deliveries shall resume if, in connection with any future Reset Period, (i) the Available Discount calculated for such Reset Period is equal to or exceeds the Minimum Discount applicable to such Reset Period, or (ii) Seller and Buyer mutually agree to resume deliveries for such future Reset Period with a discount less than the applicable Minimum Discount. Seller shall provide notice setting forth the duration of the Reset Period and the estimated Available Discount for such Reset Period no later than at least ten (10) days prior to the applicable Remarketing Election Deadline for such Reset Period. The parties acknowledge and agree that the final Available Discount will be determined on the applicable Re-Pricing Date (as defined in the Re-Pricing Agreement), and that such Available Discount may differ from the estimate or estimates of such Available Discount with the effect described in subsection (c) above.

15.20. Payments from Revenues of PGW. It is understood and agreed that any payments required to be made by PFMC and/or PGW as a result of or arising out of its entering into this Contract shall be made solely from the revenues of the Philadelphia Gas Works.

15.21. Notices from and Certain Other Actions by Issuer and the Trustee. Pursuant to the terms of the PEAK Participant Contract, Issuer (and the Trustee on Issuer's behalf) may issue notices and take any other actions that Seller is required or permitted to take under this Contract. Buyer may rely on notices issued or other actions taken by Issuer or the Trustee.

THE PARTIES DO HEREBY REPRESENT AND WARRANT THAT THE GENERAL TERMS AND CONDITIONS OF THE BASE CONTRACT HAVE NOT BEEN MODIFIED, ALTERED, OR AMENDED IN ANY RESPECT EXCEPT FOR THESE SPECIAL PROVISIONS WHICH ARE ATTACHED TO AND MADE A PART OF THE CONTRACT.

Public Energy Authority of Kentucky

Philadelphia Gas Works by Philadelphia Facilities Management Corporation, in its capacity as operator and manager of the municipally owned Philadelphia Gas Works pursuant to an Agreement with the City of Philadelphia dated December 29, 1972, as amended

By: *Gerald L. Ballinger*

Name: Gerald L. Ballinger

Title: President and General Manager

By: _____

Name: Raymond Snyder

Title: Senior Vice President

THE PARTIES DO HEREBY REPRESENT AND WARRANT THAT THE GENERAL TERMS AND CONDITIONS OF THE BASE CONTRACT HAVE NOT BEEN MODIFIED, ALTERED, OR AMENDED IN ANY RESPECT EXCEPT FOR THESE SPECIAL PROVISIONS WHICH ARE ATTACHED TO AND MADE A PART OF THE CONTRACT.


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By: _____

Name: Gerald L. Ballinger

Title: President and General Manager

By:  _____

Name: Raymond Snyder

Title: Senior Vice President

ADDENDUM 1

FORM OF QUALIFYING USE CERTIFICATE

This Qualifying Use Certificate is executed in connection with that certain North American Energy Standards Board Base Contract for Sale and Purchase of Natural Gas, dated as of April 1, 2019, and the Transaction Confirmation and Special Provisions thereto, dated as of April 1, 2019 (the "Supply Contract"), by and between the Public Energy Authority of Kentucky ("PEAK" or "Seller") and Philadelphia Gas Works by Philadelphia Facilities Management Corporation, in its capacity as operator and manager of the municipally owned Philadelphia Gas Works pursuant to an Agreement with the City of Philadelphia dated December 29, 1972, as amended ("Buyer").

NOW, THEREFORE, BUYER HEREBY CERTIFIES AS FOLLOWS:

Buyer is a collection of all the real and personal property owned by the City of Philadelphia (the "City") and used for the acquisition, manufacture, storage, processing and distribution of natural gas within the City, and is operated and managed by PFMC pursuant to an Agreement with the City of Philadelphia dated December 29, 1972, as amended.

Buyer will resell all of the Gas acquired pursuant to the Supply Contract to its retail Gas customers within its Gas service area, with retail sales in all cases being made pursuant to regularly established and generally applicable tariffs or under authorized requirements contracts. For purposes of the foregoing sentence, the term "service area" means (x) the area throughout which Buyer provided Gas transmission or distribution service at all times during the 5-year period ending on December 31, 2018, and from then until the date hereof (the "Closing Date"), and (y) any area recognized as the service area of Buyer under state or federal law.

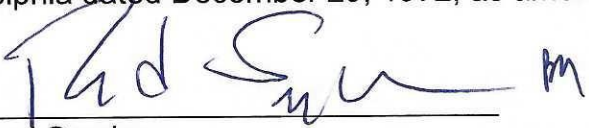
The annual average amount during the testing period of Gas purchased (other than for resale) by customers of Buyer who are located within the service area of Buyer is 45,879,517 MMBtu. The maximum annual amount of Gas in any year being acquired pursuant to the Supply Contract is 1,837,072 MMBtu. The annual average amount of Gas which Buyer holds in storage as of the Closing Date is 162,172 MMBtu. The annual average amount of Gas which Buyer otherwise has a right to acquire as of the Closing Date is 3,294,000 MMBtu. The sum of (a) the maximum amount of Gas in any year being acquired pursuant to the Supply Contract, (b) the annual average amount of Gas which Buyer holds in storage, and (c) the amount of Gas which Buyer otherwise has a right to acquire in the year described in the foregoing clause (a) is 5,293,244 MMBtu. Accordingly, the amount of Gas to be acquired under the Supply Contract by Buyer, supplemented by the amount of Gas otherwise available to Buyer as of the Closing Date, during any year does not exceed the sum of (i) 11.54% of the annual average amount during the testing period of Gas purchased (other than for resale) by customers

of Buyer who are located within the service area of Buyer; and (ii) the amount of Gas to be used to transport the prepaid Gas to Buyer during such year. For purposes of this paragraph 3, the term "testing period" means the 5 calendar years ending December 31, 2018, and the term "service area" means (x) the area throughout which Buyer provided Gas transmission or distribution service at all times during the testing period, (y) any area within a county contiguous to the area described in (x) in which retail customers of Buyer are located if such area is not also served by another utility providing Gas services, and (z) any area recognized as the service area of Buyer under state or federal law.

Buyer expects to pay for Gas acquired pursuant to the Supply Contract solely from funds derived from its Gas distribution operations. Buyer expects to use current net revenues of its Gas distribution operations to pay for current Gas acquisitions. There are no funds or accounts of Buyer or any person who is a Related Person to Buyer in which monies are invested and which are reasonably expected to be used to pay for Gas acquired more than one year after it is acquired.

April 1, 2019

PHILADELPHIA GAS WORKS by PHILADELPHIA FACILITIES MANAGEMENT CORPORATION, in Its capacity as operator and manger of the municipally Owned Philadelphia Gas Works Pursuant to an Agreement with the City of Philadelphia dated December 29, 1972, as amended

By: 
 Raymond Snyder
 Senior Vice President

ADDENDUM 2
MONTHLY DISCOUNT

33 cents per MMBtu per for the period from and including
November 1, 2019 to and including October 31, 2025

Docket No. R-2019-XXXXXXX

Item 53.64 (c)(6)

Philadelphia Gas Works

Pennsylvania Public Utility Commission
52 Pa. Code §53.61, et seq.

Item 53.64(c) Thirty days prior to the filing, of a tariff reflecting an increase or decrease in natural gas costs, each Section 1307(f) as utility seeking recovery of purchased as costs under that section shall provide notice to the public, under § 53.68 (relating to notice requirements), and shall file the following supporting information with the Commission, with a copy to the Consumer Advocate, Small Business Advocate and to intervenors upon request:

53.64(c)(6) Each Section 1307 (f) utility shall file with the Commission a statement of its current fuel procurement practices, detailed information concerning, the staffing and expertise of its fuel procurement personnel, a discussion of its methodology for obtaining a least cost and reliable source of as supply, including a discussion of any methodologies, assumptions, models or rules of thumb employed in selecting its gas supply, transportation and storage mix, its loss prevention strategy in the event of fraud, nonperformance or interruption of performance, its participation in capacity release and reallocation programs, the impact, if any, upon least cost fuel procurement by constraints imposed by local transportation end users, interruptible service, balancing, storage and dispatching, options, and its strategy for improving its fuel procurement practices in the future and timetable for implementing these changes.

Response:**I. Current Strategy**

PGW's current strategy for meeting the system's supply requirements is to use a portfolio approach in both contract structures and pricing. The Company's supply portfolio is split into four distinct categories. First, the Company enters into winter-only supply contracts. These winter-only supply arrangements provide gas supply that fills approximately thirty-seven percent (37%) of PGW's daily firm transportation entitlements on both Enbridge Energy (formerly Spectra Energy Gas Transmission) and Williams Gas pipelines.

Item 53.64(c)(6) continued

The Enbridge Energy and Williams pipelines represent the only interstate pipeline facilities with physical connections to the PGW service territory. These supply contracts also recognize pipeline receipt and delivery rights. By sourcing supply in this manner, PGW not only ensures security of supply from the pipelines, but also can take advantage of varying basis differentiated pricing in the market. These contracts all contain the ability to set the price for upcoming months, or to have the pricing default to an agreed upon market index. Second, an additional twenty-seven percent (27 %) is priced at the “gas daily mid-point” for each day of usage. These contracts allow for daily changes in volume. The operational flexibility of these contracts allows the company to increase or decrease gas supply to meet variations in send out requirements. Third, the company utilizes one (1) pipeline storage service as an additional source of supply. This storage service does not contain bundled transportation and therefore is moved to the city gates within PGW's firm interstate pipeline capacity. This service represents eight percent (8 %) of supply at a fixed price. Additionally the company purchases eighteen percent (18%) of its supply using day purchases as needed. The Company will again attempt to release capacity totaling 33,000 dekatherms as it did last year. If this proves less economic for the ratepayer, the Company will release these capacities for the winter and summer season separately. These capacity releases have twenty-four hour recall rights in their terms and conditions. They are split between the two interstate pipelines that service PGW. If the need would arise to recall this capacity PGW would do so and use its unbundled storage to fill the TGPL portion of 10,000 dekatherms and depend on market based prices to fill the TETCO portion of 23,000 dekatherms. The Company also releases firm capacity to its firm choice suppliers on a monthly basis based upon their firm pool size.

Additionally, PGW utilizes bundled storage and LNG to meet operational requirements and to accomplish other cost saving initiatives. Specifically, once design winter sendout requirements are ensured of being met, the company may utilize bundled storage and LNG inventories to displace higher priced supply based on the current market conditions. PGW uses a portfolio approach to address system supply and storage refill in the traditional non-peak season. The Gas Supply area uses the GCR filing as a template in an attempt to purchase gas volumes for both system supply and storage refill below the projected cost, when possible. However, some proportion of the supply will always be subject to spot market pricing, either daily or monthly due to the constant need to purchase gas to meet sendout variations that are inherent in a residential firm heating load. PGW seeks to recoup demand charges for its firm transportation through the FERC approved capacity release mechanisms.

The Company also enters into the incremental off system sales market to generate additional revenue when it is economically advantageous to do so. At all times, the Company is studying the market for any economic advantage that can be derived in support of the firm ratepayer.

Item 53.64(c) (6) continued**II. Overview of Gas Supply Section**

The Gas Supply Section of Gas Management is comprised of four departments: Gas Supply (which includes Gas Buying and Gas Accounting), Gas Transportation, Retail Choice, and Gas Control. The Gas Supply Section is responsible for ensuring that there is an adequate supply of natural gas available at all times to meet the requirements of PGW's approximately 500,000 firm customers. The Gas Supply Section accomplishes this through continuous interaction with various departments within PGW.

The staff of the Gas Supply Section is expected to maintain an in-depth working knowledge of all facets of the natural gas supply markets. The staff members of the four departments are required to maintain a working knowledge of PGW's natural gas contracts and facilities for the purpose of ensuring the safe and efficient operation of the distribution system, in accordance with company procedures, and in compliance with federal, state, and local regulations.

III. Organization and Staffing

Director of Gas Transportation and Gas Control until December 31, 2018: This person has over a twenty-five year history in the supply area and a seven-year history in gas control. This individual has a BA as well as having a background in natural gas accounting, allocation and confirmation experience under the first stages of FERC Order 636, and its effect on supply portfolio management. This individual retired at the end of December 2018, but has returned on a part-time basis to facilitate a transition to the new Director of Gas Transportation and Gas Control.

The new Director of Gas Transportation and Gas Control, as of January 1, 2019, is an individual with over seven years of experience in the gas supply area and two years of experience in gas control. This individual has a BS and MBA, as well as having a background in natural gas accounting, allocation and confirmation experience under the first stages of FERC Order 636, and its effect on supply portfolio management.

This individual and the departments' staff that report to him interact continuously and provide 24/7 coverage in all situations pertaining to the gas supply portfolio and operation of the natural gas facilities. This is done in conjunction with the Gas Supply Committee, as well as everyday meetings with the VP of Gas Supply and the other direct reports of the VP of Gas Supply. The following departments report directly to the Director: Gas Supply, Gas Control, Retail Choice, and Gas Transportation.

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Administrator, Gas Supply: this individual has over twelve years of experience in the gas supply area. This individual has a MBA and BBA, in addition to having an extensive background in the area of gas purchasing. Reporting to this individual are the gas accountants, gas coordinators and gas buyers.

Manager, Gas Control until December 31, 2018: This person has over nineteen years in the supply area, is responsible for the day-today management of the city distribution grid and daily confirmation of each day's gas volumes. This individual supervises the gas control department on a 24/7 basis. The Manager has a BS degree and extensive experience in the Distribution Department's network analysis area, as well as post graduate courses in computer science. This individual retired at the end of December 2018, but has returned on a part-time basis to facilitate a transition to the new Manager of Gas Control.

The new Manager of Gas Control, as of January 1, 2019, is an individual that has over nine years of experience in the supply area, is responsible for the day-today management of the city distribution grid and daily confirmation of each day's gas volumes. This individual supervises the Gas Control Department on a 24/7 basis. The manager has extensive experience in the Distribution Department's network analysis area.